



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 700

PRINTER'S NO. 1183

PRIME SPONSOR: Brooks

As amended by A05531

### COST / (SAVINGS)

FUND	FY 2024/25	FY 2025/26
General Fund	See fiscal impact	See fiscal impact

### SUMMARY:

Senate Bill 700 amends the Public School Code by providing funding distributions related to the 2024/25 budget and numerous policy changes.

### ANALYSIS & FISCAL IMPACT:

The following changes are made to the Public School Code:

Section 134 is a new section that requires a paid media advertisement by a public school entity, or on behalf of a public school entity, to not advertise the cost of tuition or other expenses as free but rather as covered by taxpayer dollars. Additionally, public school entities are required to report to the Department of Education (PDE) the total expenditures for paid media advertisements and sponsorships of public events for the 2024/25 school year.

*Fiscal impact: The addition of this section will have no fiscal impact on commonwealth funds. Public school entities may incur nominal reporting costs.*

Section 923.3-A removes Intermediate Units as the intermediary between nonpublic schools and school safety funding in favor of direct awards from the Pennsylvania Commission on Crime and Delinquency (PCCD) which administers the School Safety and Security Grant Program.

*Fiscal impact: The changes to this section will have no fiscal impact on commonwealth funds. PCCD is permitted to use up to five percent of the funds available for nonpublic school grants to administer the program.*

Sections 1109 and 1202 add “Authorized to work in the United States” to the qualifications to be a public school teacher, which currently include: good moral character, at least 18 years old, and a citizen of the United States. Further, the bill allows a certificate to teach to be issued to individuals authorized to work in the United States.

*Fiscal impact: PDE does not anticipate increased monitoring costs; therefore, these changes will have no fiscal impact on commonwealth funds.*

Section 1204.2 requires PDE to issue a Career and Technical Intern Certificate or a Career and Technical Instructional I Certificate to prospective occupational skills teachers that have requisite experience (e.g., 4 years or 2 years and a degree) in the subject matter they would teach at a state-approved career and technical education program.

*Fiscal impact: The changes to this section will have no fiscal impact on commonwealth funds. PDE can fulfill the administrative functions using existing resources.*

Section 1207.3 adds an expiration date of June 30, 2025 to the requirement to have a satisfactory achievement level on an assessment of basic skills prior to entry into a baccalaureate teacher preparation program. Under Section 1509-K, the basic skills test was waived for three years beginning in 2022.

*Fiscal impact: The repeal of this section will have no fiscal impact on commonwealth funds.*

There are several changes in Article XII-B, including changing the name of the program from Educator Pipeline Support Grant Program to Student Teacher Support Grant Program. Additionally, pre-kindergarten programs are added to the list of places where a student receiving a grant can fulfill their work requirements, the definition of “approved educator preparation program” is expanded to include educator preparation programs that are not offered by an institution of higher education, and some flexibility is provided to PHEAA concerning the method for paying grants.

*Fiscal impact: The changes to this article will have no fiscal impact on commonwealth funds. The grants are subject to available funding, and PHEAA is permitted to take a reasonable administrative fee, not to exceed 5%, from the appropriated funding.*

The following additions and changes are made to Article XIII-B related to school safety:

- For the 2024/25 fiscal year, of the money in the fund, \$100 million shall be used for school safety and mental health grants and \$20.7 million shall be used for targeted school safety grants
- The purchase of cell phone lockable bags is added to the eligible uses of school safety and mental health grants
- An eligible use of school safety and mental health grants for school police officers and school resources officers is expanded to include school security guards
- Nonpublic schools can access the funds directly from PCCD rather than through an Intermediate Unit
- A new requirement for the school safety and security coordinator to report to the school entity’s board of directors on the school entity’s current school security personnel (e.g., number, type, armed status, training, building assignment).
- Cyber charter schools may waive the in-person emergency training drills for employees not located in the commonwealth who provide remote instruction
- For the 2024/25 fiscal year, the distribution of school safety and mental health funds is as follows:
  - Each school district receives a \$100,000 base amount (\$50 million encumbered)
  - Each Intermediate Unit, area career and technical center, charter school, and cyber charter school shall receive a flat \$70,000 (\$19.7 million encumbered)
  - The balance (\$30.3 million) will be prorated to schools based upon their share of total average daily membership

*Fiscal impact: These changes have no impact on commonwealth funds. The formula allocates funds that will be appropriated separately in the General Appropriation Act.*

Sections 1315-C, 1316-C, and 1316.1-C pertain to Article XIII-C - School Security. Section 1316-C requires each school entity to have at least one full-time, trained school security personnel on duty during the school day unless the school entity has been granted a waiver. Section 1315-C establishes the criteria for the Pennsylvania Commission on Crime and Delinquency to grant a waiver, which expires after one year. Section 1316.1 establishes a School Security Personnel Restricted Account for the purpose of making reimbursements to school entities

*Fiscal impact: The reimbursement to school entities for school security personnel is subject to the availability of funds. There is no funding for the restricted account in this bill. School entities*

*could use their school safety grants to help pay for security personnel. The changes in these sections will impact school entities differently depending on their current practices for employing or contracting school security personnel.*

Section 1403.1 transfers regulatory authority for vision screening and examinations from the Advisory Health Board to the Department of Health, which is permitted to issue temporary regulations.

*Fiscal impact: The change to this section will have no impact on commonwealth funds as it is anticipated that the Department of Health can absorb this function within its current budget resources.*

Section 1405-A permits the Drug and Alcohol Recovery High School to intercept payments to a resident school district if that school district does not provide or reimburse for special education services.

*Fiscal impact: The changes to this section will have no impact on commonwealth funds.*

There are several changes to Article XV-H, which relates to administrative partnerships between school entities. The program, including the use of available grants, is expanded to include instructional partnerships and feasibility studies for school district consolidations or mergers. School districts that receive funding for a feasibility study shall report to PDE on the progress of the review and the final recommendations.

*Fiscal impact: The changes to this article will have no impact on commonwealth funds as it is anticipated that PDE can absorb the administrative functions within its current budget resources. The program grants are subject to available funding. Under current law, PDE is authorized to use up to \$250,000 annually in undistributed funds to make grant awards.*

Section 1505-K allows PDE to use money in the Talent Recruitment Account to support evidence-based initiatives designed to increase participation in the educator workforce.

*Fiscal impact: The changes to this section will have no impact on commonwealth funds.*

The bill amends Article XVII-A, the Charter School Law, to enact ethics standards and reforms. It requires trustees of a charter school to file statements of financial interest, take an oath of office, and be residents of the commonwealth. Charter school administrators are required to file a statement of financial interest, cannot earn compensation from another charter school entity, cannot serve as a voting member of the board, and must avoid conflicts of interest in selecting contracts. A charter school board must have at least five nonrelated voting members. A charter school is required to complete a certified audit each year. Cyber charter schools are to be provided with reasonable access to facilities for standardized testing.

School districts are required to submit their charter school tuition calculation forms to PDE to post online. For cyber charter schools, the tuition calculation for special education students will use the true special education average daily membership instead of the assumed 16% of average daily membership. This change takes effect January 1, 2025.

*Fiscal impact: The changes to these sections will have no impact on commonwealth funds. Using the true count of special education students instead of the 16% assumption is estimated to save school districts \$69 million annually.*

Section 1704-D allows the Department of Education to use up to \$300,000 annually in unexpended, unencumbered, or uncommitted funds to support the Disability Inclusive Curriculum Pilot Program.

*Fiscal Impact: The change to this section will have no fiscal impact on the commonwealth because it only allows PDE to shift existing funding. There may be a revenue loss to the extent the potential undistributed funds would have lapsed back to the General Fund.*

Section 1806-A repeals the expiration of the Schools-to-Work Program, allowing the program to continue beyond October 2024.

*Fiscal Impact: The continuation of this program will have no fiscal impact on commonwealth funds. The grants are subject to available funding. In 2023/24, \$3.5 million was appropriated in the Department of Labor and Industry’s budget for the Schools-to-Work Program.*

Section 1913-A provides the distribution formula for community college funding in 2024/25.

*Fiscal impact: The change to this section sets forth a distribution of \$277.3 million in state General Fund funding for community colleges. This amount represents a \$15.7 million or 6% increase over the prior year and would need to be appropriated.*

The changes to Article XX-B relate to the Educational Tax Credit Programs. The bill provides a \$75 million increase allocated between the programs as depicted in the following table:

Educational Tax Credits Summary	Increase in 23/24		23/24 credits still available on June 1, 2024	2024/25 Cap in SB700	Increase in 24/25 in SB700	
EITC - Scholarship Organizations	\$62,000,000	24%	\$25,000,000	\$375,000,000	\$50,000,000	15%
EITC - Supplemental Scholarships for Economically Disadvantaged	\$48,000,000	400%	\$47,000,000	\$60,000,000	\$0	0%
EITC - Educational Improvement Organizations	\$10,000,000	22%	\$0	\$74,500,000	\$20,000,000	37%
EITC - Pre-Kindergarten Scholarship Organizations	\$10,000,000	49%	\$9,000,000	\$30,500,000	\$0	0%
<b>Educational Improvement Tax Credit (EITC) Total:</b>	<b>\$130,000,000</b>	<b>38%</b>	<b>\$81,000,000</b>	<b>\$540,000,000</b>	<b>\$70,000,000</b>	<b>15%</b>
<b>Opportunity Scholarship Tax Credit (OSTC) Total:</b>	<b>\$20,000,000</b>	<b>31%</b>	<b>\$18,000,000</b>	<b>\$90,000,000</b>	<b>\$5,000,000</b>	<b>6%</b>
<b>Educational Tax Credits (EITC and OSTC) Total:</b>	<b>\$150,000,000</b>	<b>37%</b>	<b>\$99,000,000</b>	<b>\$630,000,000</b>	<b>\$75,000,000</b>	<b>14%</b>

Additionally, the bill makes changes to the supplemental scholarships for students who attend economically disadvantaged schools. Specific to the economically disadvantaged program, the changes include an accelerated timeline for distributing awards, lowering the threshold to qualify as an “economically disadvantaged school,” increasing the tax credit from 75% to 85% for a one-year commitment and from 90% to 99% for a two-year commitment, and removing the \$750,000 annual tax credit limitation. The overall cap of \$60 million still applies.

*Fiscal impact: The \$75 million increase in the tax credit limitations will reduce state General Fund revenue by \$75 million in 2024/25. The overall tax credit cap of \$630 million will remain level each year thereafter until changed by the General Assembly*

Section 2009-F is repealed. This section relates to the College Textbook Policies Advisory Committee.

*Fiscal impact: The changes to this section will have no fiscal impact on commonwealth funds.*

Section 2007-G clarifies that the requirement for an institution of higher education to maintain a memorandum of understanding with at least one rape crisis center and one domestic violence center extends to the branch campuses of an institution of higher education.

*Fiscal impact: The changes to this section will have no fiscal impact on commonwealth funds. There may be a cost for institutions of higher education that do not have policies in place at branch campuses.*

Section 2001-I repeals the Higher Education Funding Commission.

*Fiscal impact: The changes to this section will have no fiscal impact on commonwealth funds.*

Section 2328 provides the distribution of state aid for public libraries for 2024/25.

*Fiscal Impact: The change to this section will have no fiscal impact on the commonwealth because it directs funds to the extent that they are appropriated for the public library subsidy.*

Section 2502.8 provides for the secondary career and technical education subsidy for 2024/25 and beyond. Additionally, a new provision is added stating that the data used in the subsidy formula will be fixed on the first day of June preceding the school year in which the allocation occurs.

*Fiscal impact: The 2023/24 secondary career and technical education subsidy provided about \$105 million to area career and technical schools and school districts with qualifying programs. The weight changes in this section drive out a \$12.7 million or 12% increase in the subsidy, bringing the estimated subsidy total to about \$118 million for 2024/25.*

Sections Section 2502.53 and 2502.56 modify the existing fair funding formula for basic education funding by incorporating three-year averages of formula factors for poverty, concentrated poverty, median household income, and number of households. It also resets the base as the 2023/24 allocation (\$7.87 billion) compared to the current base of \$5.88 billion (2014/15 allocation with adjustments). Under a new formula component providing a hold harmless relief supplement, \$60 million is prorated to school districts based upon how much more funding they would stand to gain if the entire basic education funding appropriation was distributed using the formula. In subsequent years, the hold harmless relief funds are included in the base amount.

*Fiscal Impact: This section prescribes a basic education funding formula, but it does not include an appropriation of funds. To fund the base cost, the appropriation must be \$7.87 billion, and an additional \$60 million is needed to fully fund the hold harmless relief supplement.*

Section 2505.1 allows the Department of Health to use up to \$3 million appropriated for school health services to award grants for feminine hygiene products to school entities to be provided to students at no expense.

*Fiscal Impact: The change to this section will have no fiscal impact on the commonwealth because it directs funds to the extent that they are appropriated for school health services.*

Section 2509.1 provides Intermediate Units with 5.5% of the state special education funding appropriation for the 2024/25 school year and each school year thereafter.

*Fiscal Impact: The change to this section will have no fiscal impact on the commonwealth because it directs funds to the extent that they are appropriated for special education funding. It provides about \$82 million for Intermediate Units for 2024/25.*

Section 2510.3 permits PDE, for 2024/25, to use up to \$7 million in undistributed funds to assist school districts in financial recovery or financial watch status.

*Fiscal Impact: The change to this section will have no fiscal impact on the commonwealth because it only allows PDE to shift existing funding. There may be a revenue loss to the extent the potential undistributed funds would have lapsed back to the General Fund.*

Section 2591.1 relates to commonwealth reimbursements for charter schools and cyber charter schools. There has been no funding appropriated for this since 2010/11. A new reimbursement formula is established for the 2024/25 fiscal year and each year thereafter that prorates funding appropriated for cyber charter transition to school districts based upon their share of total cyber charter tuition costs.

*Fiscal Impact: This section prescribes a cyber charter reimbursement allocation to school districts, but it does not include an appropriation of funds. To fund the base cost, the appropriation must be \$7.87 billion, and an additional \$60 million is needed to fully fund the hold harmless relief supplement.*

Section 2599 is repealed. It relates to administrative/instructional consolidation incentives, which were addressed in Article XV-H.

*Fiscal impact: The repeal of this section will have no fiscal impact on commonwealth funds.*

Section 2599.6 contains new formulas for an adequacy supplement and a tax equity supplement within the Ready to Learn Block Grant. The data used to calculate the adequacy and tax equity supplements is the most

recent available as of June 1, 2023. The bill calculates a total adequacy gap (\$4.5 billion) and tax equity gap (\$257 million) and allocates funding on a pro rata basis relative to specified amounts. Each year, the previous year's allocation becomes part of the foundation amount for the next year. The bill stipulates allowable uses and reporting for both the adequacy and tax equity supplements.

*Fiscal Impact: This section prescribes an adequacy supplement and a tax equity supplement, but it does not include an appropriation of funds. To fund the Ready to Lean Block Grant foundation amount, the appropriation must be \$292.4 million. To fully fund the adequacy supplement in 2024/25, \$493.8 million is needed. To fully fund the tax equity supplement in 2024/25, \$32.4 million is needed.*

Section 2608-J delays the opening of PlanCon 2.0 and the maintenance program until July 1, 2025.

*Fiscal Impact: The change to this section will have no fiscal impact on the commonwealth as the adjustment factor for PlanCon 2.0 is currently zero (preventing a state obligation).*

There are technical changes to Article XXVI-L related to the School Environmental Repairs Program.

*Fiscal Impact: The changes to this article will have no fiscal impact on the commonwealth.*

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*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*