K-12 funding is flat funded in the budget. In addition, $49 million was appropriated to the Duquesne School Plan. The Accountability Block Grant appropriation of $100 million is level funded at $296 million. For FY 2012-13 the budget provides level funding for the Public Library Subsidy.

The Senate passed version included:
- Statewide Advisory Commission for funding
- Direct payment from PDE to charter/cyber charter schools
- Ethics Act application for charter/cyber boards of trustees and employees; prohibits conflicts of interest; requires annual ethics filings
- Standardizes applications and reporting requirements
- Requires annual independent audits of charter/cyber charter schools
- Limits unassigned fund balances
- Bond intercept language
- Development of academic performance matrix to be used to evaluate charter/cyber charter schools, including teacher effectiveness

The House passed and Administration supported version of this legislation included many of the same provisions, but also included:
- A revamped Charter Appeals Board that would now be the Charter School Entities Board with the ability to authorize and grant charters and cyber charters.
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In addition, Auditor General Wagner issued a follow-up to his special report, finding that funding reforms could save taxpayers $356 million annually. The highlights of his June report were:
- Because of a flawed charter school funding formula, PA continues to pay excessive costs to fund charter and cyber charter schools;
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- PA could save $50 million a year by eliminating a loophole, which allows a “double” dipping of retirement benefit payments that are included in charter/cyber charter school tuition calculations for local school districts;
- The PA Department of Education should take a leadership role and set charter and cyber charter school funding rates like those in Arizona and Michigan.

K-12 EDUCATION BUDGET HIGHLIGHTS

- K-12 funding is flat funded in the budget. In addition, $49 million was added to the Basic Education Subsidy appropriation to provide supplemental aid to financially distressed school districts — $39 million in direct funding to 16 school districts and $10 million for a Financial Recovery Transitional Loan Program to provide loans to school districts in financial recovery status that have approved a financial recovery plan.
- An additional $14 million is appropriated as a supplemental appropriation to the prior year, to the Chester-Upland School District for statutory or accounts payable obligations related to the 2011-12 fiscal year.
- An additional $2.5 million is appropriated to the Duquesne School District. This includes $500 per pupil for the next two years, for transitional services related to students in the 7th, 8th and 9th grades reassigned to neighboring school districts.
- The Accountability Block Grant appropriation of $100 million is restored after the Governor eliminated funding in his proposed budget in February. The majority of school districts use this funding for class reduction, full-day kindergarten and pre-k programs.
- Early Childhood Education programs are funded in both PDE and DFW. The budget restores $4.1 million in PDE for the Pre-K Counts program. Pre-K Counts provides funding for early childhood learning, focusing on at-risk students.
- The budget restores $1.9 million for the Head Start Supplemental Assistance, which expands pre-K services to eligible children.
- Funding for Early Intervention, which provides services and support for children with developmental delays, is increased $8.0 million over the prior fiscal year.
- The budget provides level funding for the Public Library Subsidy appropriation.
- PlanCon is level funded at $296 million. For FY 2012-13 the budget includes a limitation on PDE’s acceptance or approval of new school building construction/ reconstruction project applications received after October 1, 2012, and requires PDE to conduct a review of its school building project approval process and submit recommendations by May 1, 2013. Existing projects already in the PLANCON process will not be impacted.
For the 2012-13 fiscal year, the total amount of funding that will be available for student grants is $419.88 million, which includes $344.88 million in state funding and $75 million that the PHEAA Board of Directors will direct from its business earnings to supplement the State Grant Program. The enacted funding amount will allow the number of grants awarded to remain unchanged and the maximum grant amount to remain at $4,348.

Funding is restored for the Institutional Assistance Grants (IAG) line, which provides assistance to higher education institutions that do not receive other state funds. It will be level funded at $24.39 million. The Governor had recommended a 30 percent reduction.

Establishes the Special Education Funding Commission to review and make recommendations related to special education funding. The commission shall be composed of: the chairmen of the Education Committee of the Senate and the House of Representatives, two legislators from each of the four caucuses to be determined by the leadership, the Secretary of Education; the Secretary of the Budget; and, the Deputy Secretary for Elementary and Secondary Education.

Provides for the commission to identify factors that may be used to determine distribution of funding, consult with experts, receive input from interest parties, and hold public hearings.

Specifies that the following factors may be used:

- Three categories for students receiving special education services based on the intensity of services and weighting factors for each category;
- a student count for each school district averaged for the three most recent years for each cost category;
- three weighting factors that differ for each cost category;
- adjustments for market value/personal income aid ratio averaged for the most recent three years, equalized millage rate averaged for the most recent three years and geographic price differences; and
- a proportional system for distributing the change in special education funding using the factors.

Provides for the commission to be reconvened every five years.

Requires the commission to make a report to the Governor, the General Assembly and the State Board of Education no later than November 30, 2012.
PASSHE MODERNIZATION
— Bi-partisan efforts, led by Senator Dinniman in the Senate and Representative Matt Baker in the House, resulted in the passage of several pieces of legislation that provide greater flexibility to the Pennsylvania State System of Higher Education (PASSHE). These bills do the following:
- authorize the PASSHE universities and employees to enter into economic development transaction agreements;
- allow PASSHE institutions to enter into agreements with private affiliated foundations which may solicit and manage donations from the private sector for the direct benefit of the PASSHE institution;
- allow for the establishment of doctoral programs at all PASSHE universities; and
- allow PASSHE to enter into agreements with any entity/consortia for the cooperative use of supplies and services.

— In addition, Senate Bill 1211, which would give PASSHE institutions the authority to execute and administer construction, repair, renovation and maintenance projects when they have the capacity to undertake such projects, is being worked on over the summer by PASSHE and the Department of General Services with the hope of having a legislative compromise reached in the fall.

EDUCATIONAL IMPROVEMENT TAX CREDIT PROGRAM (EITC) & EDUCATIONAL OPPORTUNITY SCHOLARSHIP TAX CREDIT PROGRAM (EOSTC)

As part of this year’s Tax Code legislation, changes were made to the existing Educational Improvement Tax Credit Program and new program — the Educational Opportunity Scholarship Tax Credit Program — was created.

EITC
— House Bill 761 included changes to the existing EITC program. The bill added $25 million in additional tax credits for the EITC program over last year for a total amount of EITC tax credits of $100 million in FY 2012-13. Tax credits will be allocated as follows:
- $60 million for Scholarship Organizations (SOs);
- $30 million for Educational Improvement Organizations (EIOs);
- $10 million for Pre-Kindergarten (Pre-K) Scholarship Organizations.

— Changes were also made to the maximum household income qualifications and income allowance for each dependent. After June 30, 2013, the maximum household income increases from $60,000 to $75,000 and the income allowance for each additional dependent rises to $15,000. The income allowance will be adjusted after July 1, 2014 based on Consumer Price Index increases.

— The amount of the tax credit a business firm may receive also increases from $300,000 to $400,000 in fiscal year 2012-13, and to $750,000 beginning in fiscal year 2014-15 and beyond.

EOSTC
— House Bill 761 provided for $50 million in tax credits for the new EOSTC program.

— Beginning in 2012-2013, all students residing in the boundaries of a low-achieving school — bottom 15% performance on the prior year’s PSSA in math and reading — as of the first day of classes of the school year will be eligible for a scholarship not to exceed $8,500 for regulation education students or $15,000 for special education students.

Under the scholarship program, the following applicants receive priority:
- Applicant who received a scholarship for the prior school year
- Applicant with household income no greater than 185% of Federal Poverty Index (i.e., eligible for free or reduced-price lunch)
- Applicant with household income no greater than 185% of Federal Poverty Index (i.e., eligible for free or reduced-price lunch) who resides within a first-class school district or a district that would immediately be subject to a declaration of financial recovery status.
The omnibus School Code legislation includes a complete revamp of the Commonwealth’s teacher and administrator evaluation system. The new system will affect K-12 classroom teachers, principals and non-teaching professional employees, but fails to include teachers and administrators at public charter school and public cyber charter schools.

Beginning fiscal year 2013-2014, requires classroom teachers to be evaluated giving consideration to classroom observation and practice models related to student achievement and student performance. Beginning fiscal year 2014-2015, requires principal evaluations which give consideration to planning and preparation, school environment, delivery of service, professional development and student performance. Student performance is to comprise 50% of the overall rating and be based on multiple measures of achievement as follows:

- 15% based on building level data
- 15% based on teacher specific data
- 20% based on elective data locally developed and selected by the school district from a list approved by the department.

Several Democratic Caucus members saw important pieces of legislation enacted along with the budget, either as stand-alone legislation or as part of the omnibus School Code bill. These included:

- **SENATE BILL 157 (FONTANA)**
  The free standing legislation creates a Task Force on Homeless Children’s Education that is charged with examining the educational needs and status of homeless children in this Commonwealth in order to develop and recommend a Statewide proposal to provide a strong educational foundation for homeless children. This bill was not part of the omnibus School Code bill, but was signed into law as Act 123.

- **SENATE BILL 244 (KASUNIC)**
  Adds a new section to the School Code to require all schools, public and private, to have a least one member of the school staff trained and certified in CPR present at the school premises at all times during regular school hours when school is in session, except in extenuating circumstances.

- **SENATE BILL 1129 (DINNIMAN)**
  Amends section 1308 of the Public School Code of 1949 by adding a subsection to clarify that where a host district contracts with a third party for the provision of educational services, the third party may seek payment directly from the district of residence. Notice is to be given to the host district that payment has been sought. When payment is made to the third party, such payment shall satisfy and extinguish the contractual payment obligation of the host district.

- **SENATE BILL 1410 (FERLO)**
  Removes the expiration of the Commonwealth Partnership District provisions of the former Education Empowerment Act and re-enacts the definitions necessary to this subsection.

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House Bill 1307 develops an early warning system for financially distressed school districts and creates moderately and severe financial recovery classifications. Districts (currently 4 and never more than 9) will be assigned a chief recovery officer and will implement a financial recovery plan. They will be eligible for an interest free loan program.

Revised the per pupil tuition amount for junior high and high school students from Duquesne City School District to attend high school in a neighboring district. Provided for two years of transition funding for Duquesne students in grades 7 through 9 to the neighboring districts as well.

Provided additional funding to financially struggling districts through supplemental language included in the basic education subsidy formula.
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  • allow PASSHE to enter into agreements with any entity/consortia for the cooperative use of supplies and services.
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LOOKING AHEAD TO THE FALL SESSION

As we look to what to expect during the brief fall session, we can expect legislative action to focus on two pieces of unfinished business — special education funding formula revisions and changes to the charter and cyber charter law. The former faced little to no opposition, while the latter stirred up considerable debate that is expected to carry over into the fall.

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Provides for the commission to be reconvened every five years.

Requires the commission to make a report to the Governor, the General Assembly and the State Board of Education no later than November 30, 2012.
CHARTER AND CYBER CHARTER LAW REVISIONS

- This legislation could not get final agreement between the House, Senate and Governor. The Governor wanted a statewide authorizer, the House wanted more liberal building conversion language and the Senate put up compromise language that in the end the House would not accept.
- The Senate passed version included:
  - Statewide Advisory Commission for funding
  - Direct payment from PDE to charter/cyber charter schools
  - Ethics Act application for charter/cyber boards of trustees and employees; prohibits conflicts of interest; requires annual ethics filings
  - Standardizes applications and reporting requirements
  - Requires annual independent audits of charter/cyber charter schools
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