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HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

February 23, 1976

SUBJECT: Analysis of Fiscal Impact of House Bill 770, Printer's Number 2645,  
School Code Revision

TO: Members Republican Caucus

FROM: Honorable G. Sieber Pancoast *GSP*

Attached is a comparative analysis of the costs and savings estimates of the Appropriations Committee, the Department of Education, and the Pennsylvania School Boards Association.

The analysis is organized into a Costs and a Savings section. It is cross referenced where a section is listed as having a cost and a savings, or where costs/savings are transferred from school districts to the Commonwealth or vice versa.

GSP/bab

SCHOOL CODE FISCAL IMPACT

An Analysis of House Appropriations, Department of Education, and  
Pennsylvania School Boards Association Cost and Saving Estimates  
for House Bill 770, Printer's Number 2645

Prepared for

HONORABLE G. SIEBER PANCOAST

Minority Chairman, Committee on Education  
House of Representatives  
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By

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February, 1976

COSTS

<u>SECTION</u>	<u>RATIONALE</u>	<u>COSTS</u>		<u>P.S.B.A.</u>	
		<u>Approp. Comm.</u>	<u>P.D.E.</u>		
103 (b)	Requires PDE standards to be promulgated under Commonwealth Documents Law.	Will double number of PDE standards in Pa. Code and require an additional binder - initial cost \$50,000.	Initial - \$50,000 (C) Annual - \$20,000	"Will result in increased publication costs."	\$25,000
(c)	Requires school entities to publish intent to adopt rules and regulation notices.	12 notices/district \$75/notice and clerical time.	-	"Will result in increased publication costs."	\$500,000 (SD)
Note: The Sunshine Law and the Public Agency Open meeting Law only require public notification of meetings, not advertising regulations.					
501 (a)	Adds 4 legislators to State Board of Education.	Expenses	Annual - \$4,800 (C)	\$4,800	\$8,000
(c)	Requires State Board to meet at various locations in state.	Board expenses and staff travel.	Annual - \$5,000 (C)	\$5,000	\$15,000
503 (c)	Provides for Summer Schools and other courses for teachers to meet certification requirements and develop professional abilities.	Could cost money if all State colleges and universities develop programs.	-	-	\$1,000,000 (C)
Note: The language of this subsection is identical to Section 1208 of the present code.					
505 (10)	Requires long-range plans for public and private institutions of higher education.	Developmental and consulting costs, etc.	-	-	\$400,000 (C)

Note: The language of this subsection is identical to Section 2811 (8) of the present code.

- (C) - Cost to Commonwealth
- (SD) - Cost to School Districts

COSTS

<u>SECTION</u>		<u>RATIONALE</u>	<u>COSTS</u>		
			<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
712 (c)	Special Board of Control in financially distressed districts.	Per diem expenses raised from \$10 to \$25/meeting.	-	"No direct budget implications."	\$1,000 (SD) (one district)
1111 (e)	Expenses for boards of private institutions.	Reimbursement for expenses of \$40/day + 15¢ mileage or IRS maximums.	-	-	\$25,000 (C)
2342 2344	Lowers terms of school directors from 6 to 4 years.	1) \$35/additional name on ballot, 3 additional elections - every 4 years. 2) Expenses for training new Board members.	1) \$53,000 (every 4 years) 2) \$50,000 (every 4 years) (SD)	-	\$102,000
2374	School districts of 2nd class may no longer have a board member serve as secretary and business administrator.	55 districts currently have board member filling both roles. Appointing a non-member to fill business administrator position at \$12,500 + benefits.	Annual - \$1,000,000 (SD)	"May bring additional costs for business administrator."	\$1,000,000
Note: 2nd class districts combine the 2nd, 3rd, 4th class districts of current law.					
2376	Requires designation of a business administrator	Requires business administrator to sign all checks.	Included in costs of Section 2374.	Same as Section 2374.	\$50,000 (SD)
2378	Depositories may no longer serve as treasurer.	110 banks currently serve as treasurer and depository. Treasurers who are not depositories receive from \$500 - \$2,500 annually; 110 x average of \$1,000.	Annual - \$110,000	-	\$110,000

COSTS

<u>SECTION</u>	<u>RATIONALE</u>	<u>COSTS</u>		
		<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
2711 (b)	Permits IU Boards to increase the size of the board from 13 to 20 members if IU has more than 13 members.	"Not identifiable"	-	\$50,000
2716 (c)	Where IU & School District are same (Pgh. & Phila.) a proportionate share of superintendent's salary is charged to IU.	Annual - \$10,000 (C)	\$10,000	-
Note: This section transfers costs from school districts to the Commonwealth. No net costs result. (See Savings.)				
2905 (b)	Increases penalty for employing uncertificated personnel for more than 4 months.	Initial - \$500,000 (SD) Raises penalty for salary x district's aid ratio to full salary. (Average ratio at .5) 100 penalties x 10,000 x .5.	-	\$1,000,000 100 districts x \$10,000 salary
Note: Increased penalty plus increased auditing by Auditor General may drastically reduce costs. (See Savings)				
2961 (a)	Raises depreciation reimbursement for district owned buses and for contracted services and makes reimbursement for both services equal.	Raises total depreciation allowance for buses from \$10,500 to \$15,000 and yearly allowance from \$750 to \$1,000.	Annual - \$6,700,000	\$6,700,000 Has not developed costs for recent amendments.

Note: This section transfers costs from school entities to Commonwealth. Therefore, no net savings result. Future costs of this section could be very substantial. (See Savings.)

<u>SECTION</u>		<u>RATIONALE</u>	<u>COSTS</u>		
			<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
3132	Increases maximum purchases	Process may become formal- ized and add costs for adver- tising specifications, adver- tising, printing, etc. \$500/solicitation x 500 dis- tricts.	-	"Could reduce advertising costs for school entities."	\$250,000
3133	for quotations instead of bids and adds new requirement of quotations and bids for insurance and surety company bonds.				
Note: The previous fiscal note on this section indicated annual costs to school districts of \$250,000. (See Savings.)					
3152 (c)	Increased travel expenses for	\$40/day + 15¢/mile or IRS maximum.	-	-	\$75,000
(2)	school directors.				
Note: The previous fiscal note on this section indicated annual costs to school districts of \$75,000.					
3161 (c)	Requires 3 quotations for in- vestments.	Increased costs due to adver- tising, clerical costs, mailing, and possible loss of income; \$250/districts x 500 districts.	-	-	\$125,000
Note: The previous fiscal note on this section indicated annual costs to school districts of \$125,000. In many cases, 3 authorized dealers are not available to a school entity. (See Savings.)					
3182 (a)	Requires bonding of business	Will cost some districts money because of new language on business administrators and treas- urers. (\$60-200/bond)	\$100,000 (SD)	-	\$100,000
(b)	administrators, treasurers, and any officer or employee who needs to be bonded.				
3191 (a)	Requires school entities to offer surplus property to other districts and nonpro- fit educational institutions before offering it for public auction.	No net loss if equipment stays in public school system but loss to district. Loss of revenue if sold to non-public schools or colleges, etc.	"Substantial" (SD)	-	\$50

Note: With declining enrollments the affects of this section may be increased.

<u>SECTION</u>		<u>RATIONALE</u>	<u>COSTS</u>		<u>COST</u>	
			<u>Approp.</u>	<u>Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
3302	Requires districts to comply	PDE must design/update accounting system for districts. Requires that standards be promulgated and adds 2 staff.	Initial	- \$250,000 (C)	"Additional expenses from adoption and review of standards."	\$250,000
3303	with PDE minimum accounting standards.		Annual	- \$100,000 (C)		\$100,000
3702	Requires districts to:					
and	1) develop a system to measure student competency.	a) In-service training for teachers and coordination of program; \$1,000/district.	Annual	- \$1,000,000 (SD)	\$1,000,000 (SD)	Has not developed costs for recent amendments.
3713				\$1,000,000 (C)	\$1,000,000 (C)	
	2) Include a statement of competencies in student's records within 4 years.	b) PDE support of testing program; \$500,000.				
	3) PDE report annually to legislature on student achievement in the competencies.	c) Costs for developing and administering the programs for PDE and districts; \$1,000,000				
3712 (b)	Expands EQA by requiring PDE to develop a procedure to assess student performance in mandated courses.	PDE monitor school district achievement test results and correlate results.		\$15,000 (C)	\$600	Has not developed costs for recent amendments.
(c)	Requires a notice be sent to parents prior to attitudinal or behavioral testing.	Notice can be either through mail or included in report cards.	Annual	- \$8,000	-	Has not developed costs for recent amendments.
3713 (a)	Requires districts to issue one standard diploma.	Printing costs.	Initial	- \$200,000 (SD)	-	\$200,000

<u>SECTION</u>		<u>RATIONALE</u>	<u>COSTS</u>		<u>P.S.B.A.</u> \$2,000,000 (SD)
			<u>Approp. Comm.</u>	<u>COST</u> <u>P.D.E.</u>	
4101	Definition of exceptional children.	Extension of exceptional programs in conjunction with right to education extension from age 18 to 21 and including adults.	-	-	
Note: See Section 4701.					
4341 (a) (2)	"Health programs" under the supervision of a nurse.	May require hiring of additional nurses and supervisors.	-	-	\$3,000,000 (SD)
4342 (a) (1)	Powers and duties of Secretary of Health.	Empowers the secretary to develop additional medical and technical program requirements for school health services - costs of development, not implementation.	-	-	\$50,000 (C)
4342 (b)	Committee on School Health.	Changes composition of committee resulting in increased operating costs.	-	-	\$10,000 (C)
4701 (a)	"Right" to free public education.	1) Establishes a "right" in law for the first time. Changes legal foundations, arguments, etc. New decisions may add potential costs.  2) Includes programs for 5 year olds and pre-school youth; 15,000 x 1,200/pupil.	-	-	1) 74,000,000 2) 18,000,000 (SD & C)

Note: State Board regulations (Section 12.1, Student Bill of Rights) entitle persons between 6 and 21 "to a free and full education in the Commonwealth's public schools." PSBA includes kindergarten costs in 4702 (a).



COSTS

<u>SECTION</u>	<u>RATIONALE</u>	<u>COST</u>			
		<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>	
4701 (d)	Allows anyone over 21 to return to school to obtain a diploma if superintendent determines space is available and student can fit into the regular program.	26,000 9th graders fail to graduate each year - assuming ½ return to school at \$1,200/pupil. Does not include other adults eligible for program.	-	"Possibility of increased costs but qualifications should protect abuse."	\$15,600,000 (SD & C)
Note: Allows these students to be included in WADMs for purpose of reimbursement. Therefore, some cost to the Commonwealth will result.					
4702 (a)	Mandates kindergarten be provided in all districts.	16 districts do not have kindergarten or have plans to develop programs. Figures include special education and transportation costs.	Annual - \$1,045,000 (C) 912,000 (SD) <u>\$1,957,000</u>	\$1,859,572	\$1,800,000 (SD & C)
5101	Adds Speech Therapist, Hearing Specialist and Psychologist to the list of tenured employees.	Entitles such employees to tenure, sabbatical leave, hearings for administrative actions, etc.	-	-	\$100,000 (SD)
Note: The State Board already grants certificates for these positions and according to PDE, as professionals, these people have tenure rights, etc.					
5102 (c)	Stipulates that medical examinations for professional personnel required by board be at board expense.	Assumes 1 examination/district at \$50/examination.	Annual - \$25,000 (SD)	-	\$25,000 (SD)
5105 (a) (b)	Access to personnel files as determined by State Board regulations.	May change district practices preparation, etc.	-	-	\$50,000 (SD)

Note: The State Board has not promulgated regulations in this area, some costs to districts and the Commonwealth may occur.

COSTS

<u>SECTION</u>	<u>RATIONALE</u>	<u>COST</u>		
		<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
5112 (b)	Increased expenses for Professional Standards and Practices Commission.	\$40/day + 15¢/mile or IRS maximums.		\$5,000 (C)
5113 (b) (4)	Prohibits use of substitutes during strikes.	Districts remained open 20 days during strikes in 75-76. 1) 1817 teachers x \$65/day x 20 days. 2) 1817 subs x \$42/day x 20 days. Money district saves (Subtract 2 from 1).	Annual - \$820,000 (SD) Plus some amount not determined (i.e.; district loss of subsidy).	?
Note: (See Savings.)				
5114 (b) (4)	Provides interns with same rights as professional employees, except that interns must now work 12 weeks without compensation.	Interns currently receive a lower starting salary, will raise salary and provide sick leave, etc.	-	\$3,500,000 (SD)
Note: (See Savings.)				
5135 (1)	Furlough of employees.	Requires PDE to investigate and approve reduction of personnel as a result of a decline in enrollments.	Annual - \$35,000 (C)	\$100,000 (includes travel to investigate 1 furlough/dis.)

Note: Current law allows furloughs for decline in enrollment, curtailment or alteration of programs, and consolidation of districts.

COSTS

<u>SECTION</u>	<u>RATIONALE</u>	<u>COST</u>	
		<u>Approp. Comm.</u>	<u>P.S.B.A.</u>
		<u>P.D.E.</u>	
5136 (a)	Requires school districts to furlough on the basis of seniority rather than a combined rating-seniority basis. Districts will keep higher salaried personnel. Last year about 500 professional employees were furloughed.	Salary differential \$3,000 (SD) Annual - \$1,500,000 5 yr. - \$7,500,000	Salary diff. - \$5,000 Annual - \$2,500,000 5 yr. - \$12,500,000
Note: PDE anticipates 1,000 professional employees will be furloughed next year and 8,000 over the next 5 years.			
	Therefore, costs may be:	Annual 1,000 x \$3,000 = \$3,000,000 1,000 x \$5,000 = \$5,000,000	5 year 8,000 x \$3,000 = \$24,000,000 8,000 x \$5,000 = \$40,000,000
5139 (b) (2)	Hearings required for employees for transfers or other administrative actions in addition to dismissals, demotions, suspensions. Expected large increase in number of hearings from 30/year to from 100 to 500/year. Ave. cost \$2,000/hearing. Impartial hearing examiners in PDE.	Annual - \$140,000 to \$950,000	\$5,000,000 Ave. cost/hearing of \$10,000  \$200,000
Note: Current law requires the employee to request a hearing.			
5144 (b)	Mandating present salary schedule as district's minimum schedule. Includes increments, step of attainment, etc. \$3,000/district x 500 districts.	-	\$1,500,000 (SD)
5146 (a)	Pay for substitute teachers. Raises minimum per diem pay from present \$33/day to whatever per diem minimum salary pay is in district. 100 days in 500 districts = 50,000 days at \$15/day increase.	-	\$750,000 (SD)

Note: Minimum per diem for substitutes is \$33.33/day under current law. Some districts still pay this rate. The present statewide average beginning salary is approximately \$8,240 (\$45.77 day). Therefore, costs can be expected to increase in some districts.

COSTS

<u>SECTION</u>		<u>RATIONALE</u>	<u>COST</u>		
			<u>Approp. Comm.</u>	<u>P.D.E.</u>	
5147	Minimum salaries for part-time professional employees must be proportional to that of the minimum salary of full time staff.	In 1974-75 there were 1,670 permanent part-time employees Ave. salary change of \$500.	Annual - \$1,002,000 (SD)	-	<u>P.S.B.A.</u> \$750,000 3 employees x \$500 x 500 districts
5158 (a)	Provides for an additional sick day/mo. for employees working longer than 10 months.	Approp. - add extra unused days to termination bonus. Bonuses vary from \$500 - \$2,000. PSBA-adds 2 days sick leave and sub. costs for 17,000 employees; ave./diem \$80, sub. \$45/diem, assumes only 1/2 of eligible days used.	"Not identifiable" (SD)	-	\$1,350,000
Note: Many of these employees will be in supervisory or other non-teaching positions which do not require substitutes.					
(c)	Payment of sick leave benefits to employees injured while moonlighting.	Employee may take sick leave and be paid full salary minus any workmens' compensation benefits, etc. 63,000 employees can be expected to moonlight, 3/1,000 ave. accident rate, \$65/day, sub. \$40/day.	Annual - \$101,000 (SD)	-	\$136,000
(e)	Grants sick leave to substitutes.	1) A PDE survey indicates only 10% of subs. are eligible and 1/2 of surveyed districts (i.e., Phila. & Erie) pay sick leave to long term subs.  2) PSBA assumes 30 days/district per year x 500 districts x \$45/day x 2.	Annual - \$33,750 (SD)	\$33,750	\$1,350,000

<u>SECTION</u>		<u>RATIONALE</u>	<u>COSTS</u>	<u>COST</u>	<u>P.S.B.A.</u>
5161	Increases death leave benefits: 2 days for grandparents, 3 days for grandchildren.	Grandparent only 15,400 deaths x 2 days = 30,700 x \$45/day/sub.	<u>Approp. Comm.</u> Annual - \$1,383,000 (SD) grandparent  No costs projected for grandchildren.	<u>P.D.E.</u> -	<u>\$1,350,000</u> grandparents  \$100,000 grandchildren

SAVINGS

<u>SECTION</u>	<u>RATIONALE</u>	<u>Approp. Comm.</u>	<u>COST</u>	<u>P.S.B.A.</u>
			<u>P.D.E.</u>	
2304	Enables joint action with other school entities, political subdivisions, or Commonwealth.	May result in savings thru elimination of duplication of services, etc.	"No data available"	-
2376	Requires designation of business manager.	May result in increased efficiency.	"No data available"	-
<p>Note: The Approp. Committee has attached a \$1,000,000 annual cost figure to this section. PSBA states costs of \$1,050,000. Whether savings will offset the costs has not been determined by any of the parties.</p>				
2716	Where I.U. and school district are identical, proportionate share of superintendent salary charged to IU (Pgh. & Phila.).	Commonwealth pays 1/2 of administrative costs for I.U.s.	Annual - \$10,000 (SD)	\$10,000
<p>Note: This section transfers costs from school districts to Commonwealth. No net savings result. (See Costs).</p>				
2905	Increased penalty for employing non-certificated professionals.	Raises penalty from state aid % of the salary to full salary.	Initial - \$500,000 (C)	-
<p>Note: Savings can be expected to fall significantly because of strict nature of penalties. This section provides additional money for the Commonwealth, but will cost school districts money. Therefore, no net savings result. (See Costs.)</p>				
2961	Increases depreciation allowance Commonwealth pays for buses.	Raises total depreciation allowance for buses from \$10,500 to \$15,000 and yearly allowance from \$750 to \$1,000. Removes state aid ratio in payment for contracted bus services and provides for equal reimbursement with district owned buses.	Annual - \$6,700,000	\$6,700,000
<p>Note: This section transfers costs from school entities to Commonwealth. Therefore, no net savings result. Future costs of this section could be very substantial. (See Costs.)</p>				

Has not developed costs for recent amendments.

SAVINGS

<u>SECTION</u>	<u>RATIONALE</u>	<u>Approp. Comm.</u> Annual - \$2,000,000 (SD)	<u>COST</u> P.D.E. "Could not develop figures for cash flow savings from improved local finance procedures."	<u>P.S.B.A.</u> -
3101	Allows community credit unions to serve as depositories. Increased competition provides higher return rates. Increase ½ percentage point on \$50,000,000 in interest earned by districts last year.	Annual - \$2,000,000 (SD)	P.D.E. "Could not develop figures for cash flow savings from improved local finance procedures."	P.S.B.A. -
<p>Note: According to PDE, districts can only invest in federally chartered and not state chartered credit unions. Credit unions are prohibited from paying more than 7% interest and can insure only \$100,000 in deposits. Interest rates for certificates of deposit, in banks, etc., over the amount of \$100,000 are competitive. PSBA indicates the change from a quarterly to a tertiary payment system has reduced cash flow benefits and, therefore, does not expect interest earnings to reach the \$50 million level.</p>				
3121	Requires entities to solicit quotation before making deposits. About 60% of the districts currently follow this procedure. Increased competition and services from depositories would increase efficiency and would increase revenue.	Annual - \$1,000,000 (SD)	-	-
3132 3133	Raises limit for quotations and adds new requirement of quotations and bids for insurance and surety company bonds. Provides for a more efficient method of managing these areas.	Annual - "No data available" (SD)	"Could reduce advertising costs for school entities."	-
<p>Note: Approp. Committee and PSBA outline costs of \$250,000 for this section. Whether savings will offset the costs has not been determined by any of the parties. Under current law, school entities need not bid or solicit quotations for these items. (See Costs.)</p>				
3146	Allows entities to transfer funds between accounts or institutions to facilitate investments or debt service. Will allow districts to achieve greater return on interest, etc.	Annual - "No data available" (SD)	"Increase earnings and reduce borrowing costs."	-

SAVINGS

<u>SECTION</u>		<u>RATIONALE</u>	<u>COST</u>		
			<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
3161	Requires 3 quotations from authorized investment dealers prior to making investments.	Increased competition and services available will yield higher earnings.	Annual - \$500,000 (SD)	"result in higher earnings"	-
Note: Approp. Committee and PSBA outline annual costs of \$125,000 for this section. In many cases, 3 authorized investment dealers are not available to a school entity.					
3173	Obligates PDE to withhold from an entity's subsidy the amount a district owes to the debt holder and to pay the district's obligation.	Guarantee of payment will improve borrowing rates.	"No data available" (SD)	-	-
3705	Allows school entities to make reasonable charges for extension courses.	\$15/student 200,154 enrollment	Annual - \$3,002,000 (SD)	\$3,183,045	-
3932	Prohibits AVTS from offering post secondary programs offered by a local community college.	Eliminate duplication of programs.	"No data available" (SD)	"No implications" in budget.	-
Note: PDE has indicated this section grandfathers current programs. Therefore, no additional costs can be anticipated but no net savings will result.					
4703	Out of state students residing in childrens' institutions.	Institutions must pay to school districts the average cost of instruction including retirement, insurance, maintenance, etc.	Annual - "Not identifiable"	-	-



SAVINGS

<u>SECTION</u>		<u>RATIONALE</u>	<u>COST</u>		
			<u>Approp. Comm.</u>	<u>P.D.E.</u>	<u>P.S.B.A.</u>
4951 (a)	Allows districts to use single or multiple bid contracts.	Allows for greater construction flexibility and possibly more efficiency.	"Not possible to develop" savings estimate.	-	-
Note: Representatives of the General Contractors Association have indicated this provision will not save money and may be more expensive.					
(b)	Construction work performed by district personnel.	Raises limit on construction work done by school personnel from \$10,000 to \$20,000.	\$3,000,000 (SD)	"Savings"	-
5111	Creates special fund for certification fees.	Shifts funds from General Fund to a special fund.	Annual - \$250,000 (C)	-	-
Note: No net cost or savings. (See Costs.)					
5113	Prohibits substitutes from being used during strikes.	PDE not have to investigate strike situations to determine if district is offering a bona-fide program.	\$7,500 (C)	\$15,000	-
Note: Approp. Committee lists annual costs of \$820,000 to school districts for this section. (See Costs.)					
5114	Provides interns with same rights as professional employees, except that interns must now work 12 weeks without compensation.	1,630 interns now with 12 wk. provision save ¼ salary, ave. salary \$8,000; assumes districts continue to hire same number of interns.	Annual - \$3,260,000 (SD)	-	-
Note: This section probably will apply only to interns hired after the date of enactment. Whether the salaries of teachers with intern certificates can be lowered is questionable. Therefore, savings may not occur. Many of the vocational education teachers work under intern certificates. The 12 week provision may make it difficult, if not impossible, to hire vocational teachers.					

FISCAL NOTE

House Bill 770, Printer's No. 2268

Attached is an analysis of the sections that have been identified as having a fiscal impact either upon the Commonwealth and/or the school districts. The analysis highlights four basic categories of sections:

1. Those sections that have clear fiscal implications and for which: (a) either sufficient data is available or (b) reasonable assumptions were used in the place of sufficient data to develop the fiscal impact.
2. Those sections that have clear fiscal implications but no data was available to develop fiscal impact.
3. Those sections that do not have a clear fiscal impact but for which a legitimate possibility exists for future costs or savings.
4. Those sections that do not mandate a change in operation either at Commonwealth or the school district, but simply allow a change.

The following is a summary of the costs and savings for the Commonwealth and school districts.

COMMONWEALTH

<u>Fiscal Year</u>	<u>Costs</u>	<u>Savings</u>	<u>Net</u>
1975-76	NONE		
1976-77	3,256 - 3,369,000	271,000	2,985 - 3,098,000
1977-78	3,680 - 3,803,000	272,000	3,952 - 3,531,000
1978-79	4,117 - 4,249,000	272,000	3,845 - 3,971,000
1979-80	4,566 - 4,709,000	273,000	4,293 - 4,437,000
1980-81	5,033 - 5,187,000	273,000	4,760 - 4,914,000

SCHOOL DISTRICT

1975-76	NONE		
1976-77	16,708 -17,583,000	12,793,000	3,915 - 4,790,000
1977-78	18,465 -19,409,000	13,970,000	4,495 - 5,439,000
1978-79	20,330 -21,350,000	15,230,000	5,100 - 6,120,000
1979-80	22,305 -23,407,000	16,457,000	5,848 - 6,950,000
1980-81	24,404 -25,593,000	17,999,000	6,405 - 7,594,000

TOTAL (Commonwealth and School District)

1975-76	NONE		
1976-77	19,964 -20,952,000	13,064,000	6,900 - 7,888,000
1977-78	22,145 -23,212,000	14,242,000	8,447 - 8,970,000
1978-79	24,447 -25,599,000	15,502,000	8,945 -10,091,000
1979-80	26,871 -28,116,000	16,730,000	10,141 -11,387,000
1980-81	29,437 -30,780,000	18,272,000	11,165 -12,508,000

Prepared by:  
 Richard Willey  
 House Appropriations Committee  
 January 6, 1975

FISCAL NOTE

House Bill 770, Printer's No. 2645

Attached is an analysis of the sections that have been identified as having a fiscal impact either upon the Commonwealth and/or the school districts. The analysis highlights four basic categories of sections:

1. Those sections that have clear fiscal implications and for which: (a) either sufficient data is available or (b) reasonable assumptions were used in the place of sufficient data to develop the fiscal impact.
2. Those sections that have clear fiscal implications but no data was available to develop fiscal impact.
3. Those sections that do not have a clear fiscal impact but for which a legitimate possibility exists for future costs or savings.
4. Those sections that do not mandate a change in operation either at Commonwealth or the school district, but simply allow a change.

The following is a summary of the identifiable costs and savings for the Commonwealth and school districts. (Since the Bill would not take effect until July of 1976, there is no fiscal impact for fiscal year 1975/76.)

	<u>Commonwealth</u>	<u>Local</u>	<u>Total</u>
<u>FY 1976/77:</u>			
Costs	9,054,000	8,756,000	17,810,000
Savings	758,000	23,023,000	23,781,000
Net Cost (Savings)	8,296,000	(14,267,000)	(5,971,000)
<u>FY 1980/81:</u>			
Identifiable Costs	12,491,000	12,174,000	24,665,000
Identifiable Savings	261,000	23,460,000	23,721,000
Identifiable Net Costs (Savings)	12,230,000	(11,286,000)	944,000

The above figures do not account for a number of sections that have fiscal implications, but for which specific costs or savings could not be estimated for lack of information. These sections are included in the attached detailed analysis.

Prepared by:  
 Richard E. Willey  
 House Committee on Appropriations  
 February 9, 1976

May 24, 1976

SUBJECT: Proposed Limitations on Increases and  
Decreases in the Basic Instructional Subsidy

TO: Mr. Greg White  
Copy to - Mr. Russell Harris

FROM: Dean S. Hartman  
Director of Statistics  
Department of Education

*DSH*

In your memorandum of May 20, 1976, you requested an estimate for a proposal in which the school districts' reduction from year to year in the base portion of the basic instructional subsidy would be limited to five per cent. We forwarded our estimated cost of this proposal to you in a memorandum dated May 20, 1976.

You also requested in your memorandum of May 20 the estimated savings to the Commonwealth if the increase in the basic portion of the basic instructional subsidy was limited to ten per cent. We have estimated that the savings for the 1976-77 year would be \$847,490.



## HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

October 15, 1976

NEWS INFORMATION FOR:  
IMMEDIATE RELEASE

Harrisburg, Oct. 15 -- Rep. Stephen F. Freind, R-Delaware, has written to Haverford Township School Board members and community leaders seeking their ideas as to how best to eliminate or relieve inequities in State funding for schools.

The letter is a result of five months work concerning State funding of public education, particularly suburban school districts like Haverford, Freind said.

"My function as a State Representative serving Haverford Township is to get the most favorable deal we can get from the State," Freind said. "This is a problem under the existing subsidy system because of built-in inequities which work against suburban schools."

Freind explained that the base school subsidy uses an arbitrary figure for the cost per pupil of education (now set at \$750 per pupil) and employs a formula using variables such as total market value, sparcity, density, poverty and super-poverty to reduce the share of this subsidy to some districts and increase it to city and farm schools.

"This system is fortified by a power-bloc of Philadelphia and Pittsburgh legislators combined with rural legislators whose constituents benefit from this formula at the expense of suburban taxpayers," Freind said.

"Although I do not have the exact figures, there is no question that, for every dollar sent to Harrisburg by a Haverford Township taxpayer, only a fraction of that dollar is returned to Haverford by means of either payments or services. Therefore, any increase in State subsidies which would necessitate an increase in State taxes will provide only a Pyrrhic victory for suburban districts.

"The fairest solution to suburban taxpayers would be to eliminate all State funding for school districts and eliminate the State sales tax and cut the State income tax in half. Local school districts would then be able to decide for themselves how much

to spend on schools and Haverford taxpayers would undoubtedly pay fewer total taxes and get more for their money.

"Of course, it is highly unlikely this would ever be allowed to happen, because rural and big city legislators have a vested interest in maintaining the status quo.

"Another possibility was suggested to me by School Board member Robert Gavin. If we based school subsidies on total school age population, including nonpublic school students, Haverford would benefit greatly because of the large number of nonpublic school students in the district.

"This would NOT in any way affect funding of nonpublic schools. It would simply recognize the costs of educational services performed by public schools from which nonpublic school pupils benefit, for example transportation and special education services.

"It is entirely possible some change in the formula will be made in the next session of the Legislature. I know the Department of Education has experts reviewing the subsidy formula right now for possible amendments. I am therefore asking school board members, leaders of educational groups and community leaders to forward their suggestions to me so I can present them when the question arises," Freind said.

# # #

(Editors: A copy of the letter is attached.)

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## HOUSE OF REPRESENTATIVES

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

October 8, 1976

Since being sworn into office on May 10th of this year, one of my major priorities has been the adequate funding of our public school districts. I would like to take the opportunity, by means of this letter, to apprise you of my actions in this regard, together with my thoughts on the problems presently being encountered by middle to upper income suburban school districts, as well as a number of possible methods to at least modify this present situation.

I would very much appreciate any thoughts, comments or suggestions which you may have concerning this subject matter, which I know is of crucial importance to you. I also want you to know that I am available at any time should you desire to personally meet and discuss these matters.

First, with respect to state appropriations, I have four basic priorities, namely education, mental health/mental retardation, senior citizens and law enforcement. In the past five months, I have voted against virtually all preferred and non-preferred appropriation bills. My main rationale in voting in this manner was that an affirmative vote could not be justified in view of the lack of priority given to public education, particularly with respect to suburban school districts.

Additionally, on June 29, 1976, I cosponsored a Discharge Resolution which, if successful, would have freed House Bill 2400 from the House Appropriations Committee, allowing the bill to be considered and acted upon by the entire House membership. Unfortunately, the Discharge Resolution failed by a vote of 98 to 93 and that bill presently remains bottled up in the Appropriations Committee.

As I am sure you are aware, House Bill 2400 would have benefited Haverford Township School District. The bill provided for a "hold harmless" section which would have restored the amount of state subsidies for the 1976-77 year to the 1975-76 level. In addition, the bill provided for a 10.6% cost-of-living increase in subsidy payments, as well as certain increases in health and transportation reimbursements. The Haverford Township School District, had this bill been passed, would have received \$544,000 more from the state for the 1976-77 year than it will now receive.

In addition, also on June 29th, I supported an amendment to a number of non-preferred appropriation bills which would have taken 6% away from each such non-preferred appropriation and transferred those funds into the General Fund to increase school subsidies for each school district. This amendment failed by a vote of 122 to 68.

During our last week in session before the summer recess, I supported an amendment which would have increased the basic instructional subsidy from \$750 to \$900. Unfortunately, this measure also failed as the bill to which the amendment was to be made was tabled.

I know that I do not have to tell you that the present state subsidy formula, due to the density, sparsity, poverty and super-poverty factors, as well as the computation of aggregate market value of real estate within each school district, works to the benefit of metropolitan and rural school districts, while severely penalizing middle to upper income suburban school districts such as Haverford Township School District. In my opinion, the most critical priority in the education field is to modify that formula so that the interests of the suburban school districts are more equitably represented.

Toward that end, I have studied the admittedly complex subsidy formula and have conferred with a number of House staff members who specialize in education, as well as representatives from the Delaware County Intermediate Unit, including Don Schaffer and Jim Shields.

To be quite candid, the outlook to the suburban school districts is somewhat gloomy. This assumption is based upon political realities. As I am sure you are aware, there are many instances when the Pittsburgh-Philadelphia power block in the House combines to support and pass legislation favorable to the metropolitan areas. This block alone, in terms of votes and the ability to generate support, is extremely formidable. The situation with the school subsidies is even more difficult, because that metropolitan power block is joined by representatives of rural areas. As stated above, these power groups have an interest in retaining the subsidy formula as is, since that formula with its built-in factors favors rural and metropolitan areas. This is not a partisan matter. It transcends party lines and, by sheer weight of membership, places the suburban school districts at an enormous disadvantage.

As you realize, the state subsidy to Haverford Township has decreased each year for the past three years, from a total of \$1,511,702.45 for the 1974-75 year to an estimated \$1,050,552.43 for the 1976-77 year. It is obvious that action is sorely needed to reverse this distressing trend. Listed below are a number of possible alternatives which may help to correct this situation. In addition to explaining each alternative, I have also taken the liberty of injecting my opinion as to the realistic possibility of its implementation.

1. THE ELIMINATION OF ALL STATE FUNDING FOR PUBLIC SCHOOL DISTRICTS - In discussing this seemingly drastic measure, it is necessary to first consider how public school districts are funded. This funding is accomplished in two ways. First, by local real estate taxes. Secondly, from subsidy payments made by the state.



It is necessary to remember, however, that this money from the state is not manufactured in Harrisburg nor does it come from heaven. It comes from the taxpayers of Pennsylvania, who transmit this revenue to Harrisburg by means, basically, of the state income tax and the state sales tax. It is extremely critical to keep in mind that the taxpayers of middle to upper income suburban townships, by reason of their income, carry a disproportionately large share of the state tax burden. Although I do not have the exact figures, there is no question that, for every dollar sent to Harrisburg by a Haverford Township taxpayer, only a fraction of that dollar is returned to Haverford by means of either payments or services.

Therefore, any increase in state subsidies which would necessitate an increase in state taxes will provide only a Pyrrhic victory for suburban districts. Most assuredly, any such subsidy increase will be more than paid for by the taxpayers of that suburban district in the absence, of course, of a reassessment of appropriation priorities by the state administration or by an intensified effort to reduce state governmental waste, mismanagement and corruption which would provide the opportunity of increasing subsidies without an accompanying tax increase. Unfortunately, neither alternative appears likely.

Given the above, consideration must be given to legislation which would, in plain terms, mandate that the state no longer provide any funds for public education. Each local school district would be totally responsible for funding its schools. Let me hasten to add that any such legislation would have to be accompanied by a requirement that the state income tax and the state sales tax be drastically reduced, if not totally eliminated. This is not unrealistic when one considers that over 50% of the state budget is appropriated for education. The vast majority of all funds collected by the state sales tax, which accounts for almost one-third of all state revenue, is funneled directly into education.

An appropriate decrease in state taxes would permit a corresponding increase in local taxes which, in suburban areas, would be a great deal more equitable to each taxpayer. Each local school district, by its elected school board members, would decide as to what quality of education should be given to the students of that district and how much money should be spent to obtain that goal. Basically, what we are talking about is a return to local control with the taxpayers money remaining in the local district rather than being channeled through the Harrisburg bureaucracy.

Notwithstanding the above, the chances for such legislation being passed are virtually nil. Basically, such a process would benefit suburban school districts but, as mentioned above, would be detrimental to metropolitan and rural school districts. Quite simply, the votes are not and will not be there to successfully achieve such a result. It should be noted that such legislation might require a constitutional amendment, since the Pennsylvania Constitution requires the General Assembly to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth." Court opinion is divided as to whether or not this specifically requires state funding for public education.

2. HOLD HARMLESS - This aspect has been discussed above in reference to House Bill 2400. The passage of hold harmless legislation, together with a cost-of-living increase in the state subsidy formula would, at least superficially, benefit suburban school districts. As discussed immediately above, however, it would in all likelihood result in additional state taxes which would penalize the suburban taxpayers. Another aspect of this type of approach would be legislation prohibiting more than a 5% decrease in state subsidies to any school district from one year to the next. Such legislation is presently languishing in committee and has the same strength and weakness as hold harmless legislation. In this vein, it is interesting to note that Governor Shapp, on July 15, 1976, proposed that state government assume a larger portion of the tax burden that is now being imposed upon local school districts and municipalities. While conceding that this might cause an increase in state taxes, the Governor stated that this would be a "tax redistribution, not a tax increase." I could devote several paragraphs to this quote but only suggest that we adhere to the ancient admonition concerning Greeks bearing gifts. (Lest we get involved in any type of Earl Butz problem, please be assured that the foregoing had absolutely no ethnic intent.)

3. REPLACE WADM WITH WADA - The suggestion has been made that the subsidy formula be altered so that Weighted Average Daily Membership is replaced with Weighted Average Daily Attendance. The theory to this is that this would benefit suburban school districts where attendance is allegedly higher than in metropolitan areas. First, I have received no concrete figures which indicate that metropolitan school students attend classes with less frequency than suburban school students. Secondly, if such were the case, representatives of the metropolitan areas would probably defeat any such formula alteration. Thirdly, if such alteration was adopted, it would be a great deal easier to fudge attendance figures as opposed to membership figures.

4. ELIMINATE DENSITY, SPARSITY AND POVERTY FACTORS - Such a modification of the formula would clearly benefit suburban school districts. There are, however, two problems. First, the votes are not available to accomplish this. Secondly, such a provision may, in fact, be unconstitutional, since Supreme Court decisions in a number of states, including California and New Jersey, have stated that state funding of public school districts without a modifying factor with respect to poverty is unconstitutional inasmuch as it is basing the quality of education of a student on the wealth of his community. I am not a constitutional scholar and cannot predict with certainty how the court would rule on this proposed modification.

5. INCLUSION OF NONPUBLIC SCHOOL STUDENTS IN WADM - This, in my opinion, is probably the most realistic proposal which would benefit the Haverford Township School District. In my opinion, it is extremely realistic since a large percentage of the state subsidies is utilized for the transportation of nonpublic school students. Additionally, a number of special education programs available to nonpublic school students are also funded by the state subsidy. In Haverford Township, where almost one-half of the school students attend nonpublic schools, this would provide a substantial benefit. It is certainly not a cure-all, particularly when one considers that such a proposal would also benefit large metropolitan school districts such as Philadelphia where a large percentage of the school population also attends nonpublic schools. It should also be noted that a number of suburban school districts might very well be penalized by such a modification. Only those school districts with large nonpublic school populations would enjoy an increase in benefits.

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Since, at the risk of sounding provincial, my primary concern is the Haverford Township School District, I would be more than willing to propose and fight for such a modification. At a rather interesting meeting at Haverford College during my last campaign, Bob Gavin was kind enough to suggest such a course of action and instructed me as to how it might benefit Haverford Township. If such a proposal is to be made, however, let me emphatically state that the message must be made absolutely clear that this in no way is either directly or indirectly funding the nonpublic school system. It is merely permitting nonpublic school students to be counted in the subsidy formula to increase the subsidy to the public school district.

I am rather emphatic about this point since, because of legislation which I have introduced several weeks ago, certain individuals, depending on their point of view, are recommending me for either canonization or eternal perdition.

At this point, I think it is appropriate to briefly discuss the legislation which I refer to in the above paragraph. As you probably know, I have introduced an amendment to the Pennsylvania Constitution which would permit state income tax credits and deductions for tuition paid for elementary and secondary education. My rationale for the introduction of this legislation is strictly an economic one. It is my opinion that, unless some form of assistance is devised, nonpublic schools will be forced to close in the near future. It is also my opinion that should these schools close, the burden on the public school system would be intolerable and the tax increase to all of our citizens would be devastating.

I sincerely hope that no one interprets my proposal as a direct or implied criticism of the public school system. Nothing could be further from the truth. I firmly believe that this legislation will assist our public school system rather than detract from it. I realize that there are those who will disagree with my position on this matter. I sincerely respect their position and am willing to meet with anyone to discuss in detail the ramifications of this proposal. Let me point out that any amendment to the Pennsylvania Constitution, after being passed by two consecutive legislatures must be placed on the ballot for a statewide referendum. Ultimately, therefore, the citizens of this Commonwealth will decide on this matter.

I also want you to realize that necessity, not desire has dictated my inability to personally contact you since being sworn in. Before my being sworn into office on May 10th, my district did not have a representative for almost five months. Thus I was faced with a huge backlog of constituent requests and correspondence. Immediately upon my being sworn in, the House was in constant voting session for seven straight weeks, adding to this backlog. The past several months have been largely devoted, in addition to researching issues, to eliminating this backlog and to locating and opening a district office so that I may better serve my constituents.

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October 8, 1976

I would like to conclude by apprising you of my personal position in our public school districts. While I personally feel that Haverford Township School District is one of the best in the Commonwealth, it is not my province to publicly agree or disagree with the desires and priorities of the school board. You, the members of the school board, as elected officials, must make the decision as to the quality of education to be provided in our district and, as a corollary, how much money should be expended to achieve that goal. My function, as your Representative, is to do my utmost to achieve the most equitable state funding to the Haverford Township School District. I have and will continue to do this.

I would very much appreciate the opportunity of receiving your thoughts and opinions on the above alternatives. As you may know, the Pennsylvania Department of Education has retained the services of a Mr. Russell Harris to study the subsidy formula and make recommendations to the new legislature which will convene in January, as to what, if any, changes should be made to that formula. Therefore, I respectfully suggest that we decide on the most appropriate course of action for the Haverford Township School District and make our thoughts known to Mr. Harris.

I am taking the liberty of forwarding copies of this letter to the heads of all educational associations within the Township, as well as to each Township Commissioner, so that I may receive their opinions on these important matters.

Again, let me emphasize that I am available at any time to discuss any matter of interest to you or to the School District. I look forward to hearing from you.

Sincerely,



Stephen F. Freind

SFF:js