



Senate Education Committee

Senator Jeffrey E. Piccola
Chairman

Dave Transue
Executive Director
dtransue@pasen.gov

Matt Azeles
Deputy Executive Director
mazeles@pasen.gov

Karen Seivard
Committee Counsel
kseivard@pasen.gov

Room 173 Capitol Building, Senate Box 203015, Harrisburg, Pennsylvania 17120-3015 • 717-787-6801 • 717-783-3722

BILL SUMMARY House Bill 1307, Printer's No. 2191 Prime Sponsor: Milne

A. SYNOPSIS:

HB 1307 amends the Public School Code (School Code) to limit the compensation of superintendents and assistant superintendents of school districts in financial distress; require the Auditor General to conduct an audit of school districts in financial distress every four years; require the Department of Education (PDE) to provide annual reporting on intermediate unit funding, contracts and agreements; and allow students to wear military uniforms at graduation ceremonies.

B. BILL ANALYSIS:

Superintendent Salaries. HB 1307 amends section 696 of the School Code (relating to distress in school districts of the first class) by requiring the School Reform Commission to adhere to the salary requirements for superintendents and assistant superintendents as contained in section 1075 (relating to salaries) of the School Code. Section 1075 sets minimum salary standards and requires the salaries of the superintendent and assistant superintendent to be paid out of district funds.

The bill further amends section 1075 by stating that a superintendent or assistant superintendent of any school district in financial distress under section 691 (relating to when district distressed) may not receive any form of annual compensation except for an annual salary. The term "annual compensation" includes bonuses, incentive payments or any other type of compensation. Annual compensation does not include medical benefits or a severance payment if the superintendent or assistant superintendent is not terminated. The superintendent or assistant superintendent may not receive any type of severance payment if terminated. The amendment to section 1075 will take effect for any contract entered into or renewed on or after the effective date of the bill.

Intermediate Unit Reporting. HB 1307 amends section 907-A (relating to subsidies for services) and 921-A (relating to financial reports) of the School Code by requiring PDE to prepare an annual report on subsidies and funds received and dispensed by intermediate units. PDE shall develop the format for the report, which shall include the following information:

- A listing of all contracts, interagency agreements and purchase orders executed by a Commonwealth agency with each intermediate unit and between intermediate units.
- The total amount, including annual amount for any multiyear contract, agreement or purchase

- order, and the duration of each.
- The source and amount of funding to cover the entire cost of the contract.
- A description of programs and services being provided, including performance measures by which each intermediate unit will be assessed and penalties for nonperformance, if any.
- A description of the selection process used in entering into the arrangement.
- The number of all employees, contractors and agents covered under the contracts and the remuneration provided under the contract.

The department shall post the report on its Internet website. The first report submitted in 2011-12 shall also cover fiscal years 2009-10 and 2010-11. Future reports shall cover the previous fiscal year.

Military Uniforms at Graduation. HB 1307 amends the School Code by adding a new section 1616 (relating to wearing of military uniform at graduation ceremony), which will give a student the right to wear a dress uniform issued to the student by a branch of the United States Armed Forces while participating in his or her high school graduation ceremony. In order to be eligible to wear the dress uniform, the student must fulfill all of the requirements to receive the diploma, complete basic training, and serve as an active member of a branch of the US Armed Forces.

Audits of School Districts in Financial Distress. HB 1307 amends the School Code by adding a new section 2411 (relating to audits of school districts), which requires the Auditor General to audit, every four years, the financial accounts and records of any school district that has received state appropriations and is declared financially distressed under Section 691. If the Auditor General finds that any money received by the school district under this section has been expended for any purpose other than that for which it was paid, he shall notify PDE within 90 days of the finding and shall decline to approve any further requisition for the payment of any state appropriations to the school district until an amount equal to the amount improperly expended is expended properly. The Treasury Department is also required to submit, at least annually, to the Auditor General its listing of appropriations made to each school district included under this section and the fund or account from which the appropriation was released.

The bill takes effect in 60 days.

C. SUMMARY OF RELEVANT EXISTING LAW:

The bill amends section 696 (relating to distress in school districts of the first class), section 1075 (relating to salaries), section 907-A (relating to subsidies for services) and section 921-A (relating to financial reports) of the Public School Code of 1949.

* * *

SUMMARY OF AMENDMENT A10521 (Piccola)

Amendment A10521 removes the following provisions from HB 1307:

- The amendment to section 1075 of the School Code related to superintendent salaries.
- The amendments to section 907-A and 921-A related to intermediate unit reporting.
- The addition of section 2411 related to audits of school districts in financial distress.

Amendment A10521 leaves in place the addition of section 1616 (regarding military uniforms at graduation).

In addition to the above, Amendment A10521 inserts into HB 1307 the following provisions related to superintendent contracts, intermediate units and school district financial recovery:

- **Superintendent Contracts:**

Amendment A10521 inserts into HB 1307 the text of SB 1296, PN 1983, related to superintendent contracts and performance standards (which passed the Senate on April 30, 2012, by a vote of 44-0), as modified by a compromise reached between the Pennsylvania Association of School Administrators (PASA) and the Pennsylvania School Boards Association (PSBA). This language does the following:

- Maintains the provision in current law that any contract for a superintendent or assistant superintendent may be for three to five years in length. (SB 1296 provided that all *initial* contracts must be for a period of three years, and that any contract for an *experienced* superintendent or assistant superintendent may be for three to five years in length. However, these provisions were removed from the proposed language pursuant to the PASA-PSBA compromise.)
- Makes superintendent and assistant superintendent contracts subject to the Right-to-Know law.
- Requires all superintendent and assistant superintendent contracts to do the following:
 - Set forth the mutual and complete agreement between the superintendent or assistant superintendent and the board of school directors with respect to the terms and conditions of employment.
 - Consistent with State Board of Education certification requirements, specify the duties, responsibilities, job description and performance expectations, including performance criteria provided for under the bill.
 - Incorporate all provisions relating to compensation and benefits.
 - Specify the term of employment and state that the contract shall terminate immediately upon the expiration of the term unless the contract is allowed to renew automatically as provided for in law.
 - Specify the termination, buyout and severance provisions, including all postemployment compensation and the period of time in which the compensation shall be provided.
 - Specify that termination, buyout and severance provisions are not to be modified during the course of the contract or in the event a contract is terminated prematurely.
 - Contain provisions relating to outside work that may be performed, if any.
 - State that any modification to the contract must be in writing.
 - State that the contract shall be governed by the laws of this Commonwealth.
 - Limit compensation for unused sick leave in initial employment contracts (*i.e.*, first-time superintendents and assistant superintendents) to the maximum compensation for unused sick leave as provided for under the school district's administrator compensation plan.
 - Limit the transfer of sick leave from previous employment to not more than 30 days in initial employment contracts.
- Limits the amount of severance compensation to which a superintendent or assistant superintendent is entitled if a contract is ended prior to the end of the contract. Specifically, if the severance takes effect two years or more prior to the end of the contract term, the agreement cannot exceed the equivalent of one year's compensation and benefits otherwise due under the contract. If the agreement takes effect less than two years prior to the end of the contract term, the agreement cannot exceed the equivalent of one-half of the total compensation and benefits due under the contract for the remainder of the term.

- Requires the employment contract to include objective performance standards mutually agreed to by the superintendent or assistant superintendent and the school board. The objective criteria may include the following:
 - achievement of annual measurable objectives established by the school district in compliance with the No Child Left Behind Act of 2001;
 - achievement on Pennsylvania System of School Assessment (PSSA) tests;
 - achievement on Keystone Exams;
 - student growth as measured by the Pennsylvania Value-Added Assessment System;
 - attrition rates or graduation rates;
 - financial management standards;
 - standards of operational excellence; or
 - any additional criteria deemed relevant by the board of school directors.

The State Board of Education may promulgate regulations in order to implement this section.

- Directs the school board to conduct a formal written performance assessment of the superintendent or assistant superintendent annually. The school board shall post the performance standards contained in the contract on the school district's website, and after the annual assessment, post whether or not the superintendent or assistant superintendent has met those standards.
- Requires the school board to publicly disclose the superintendent's or assistant superintendent's removal and conduct all proceedings openly. (SB 1296 required the school board to publicly disclose *the reason for* the removal. However, this provision was removed from the proposed language pursuant to the PASA-PSBA compromise.)
- Applies to:
 - all contracts of superintendents or assistant superintendents entered into or renewed on or after the effective date of the bill; and
 - superintendents and assistant superintendents of school districts of the first class (*i.e.*, Philadelphia) which were originally exempt from this law, thus repealing any section of law pertaining to the length of term of superintendents and assistant superintendents in school districts of the first class.

The superintendent contract provisions take effect 60 days following enactment.

- **Intermediate Units:**

Amendment A10521 leaves all portions of *existing* intermediate unit reporting law in effect, and replaces the intermediate unit reporting provisions of HB 1307 with a requirement that PDE post on its publicly accessible Internet website by March 1 of each year intermediate unit reports and data that PDE is *already required* under current law to post. Current law does not provide a date certain by which PDE must post such information.

Provisions of the amendment related to intermediate units take effect immediately upon enactment.

- **School District Financial Recovery:**

Amendment A10521 inserts into HB 1307 a new article VI-A of the School Code pertaining to school district financial recovery. The provisions apply only to first class A, second class, third class or fourth class school districts (not to first class school districts) and include the following:

- ***Early Warning System/School District Financial Watch***
 - PDE will develop and implement an early warning system to compile financial data about school districts, identify school districts that experience mild financial difficulties as being in “financial watch status” and provide such school districts with technical assistance.
 - School districts must provide PDE with financial data and information within 15 days of PDE’s request.
 - Within 60 days, PDE must issue guidelines for the development and implementation of the early warning system, including the fiscal and economic variables to be used in identifying school districts in financial watch status.
 - PDE must review and monitor any school district where a political subdivision located in the school district is in distress under Act 47.
- ***Declaration of School District Financial Recovery Status***
 - The Secretary of Education (Secretary) must issue a declaration of financial recovery status if a school district satisfies either of the following criteria:
 - **“Moderate Financial Recovery School District”**: The school district has an average daily membership greater than 7,500 and receives an advance of its basic education subsidy at any time; **OR**
 - **“Severe Financial Recovery School District”**: The school district receives an advance of its basic education subsidy at any time and is either: (1) under a declaration of financial distress under section 691 of the School Code; or (2) is engaged in litigation against the Commonwealth in which the school district seeks financial assistance from the Commonwealth to allow the school district to continue in operation.
 - The Secretary may decline to issue a declaration of financial recovery status if the school district, within the previous 5 years, has faced an emergency that caused the above circumstances to occur.
 - No school district shall be declared to be in financial recovery status if any of the above circumstances arose due to the Commonwealth’s failure to make any payment of money due the district when such payment was due.
 - Within 2 years, the State Board must promulgate final-omitted regulations establishing additional criteria the Secretary may consider in determining whether to issue a declaration of financial recovery status and providing whether districts in financial recovery status will be deemed to be “moderate financial recovery school districts” or “severe financial recovery school districts.” In promulgating the regulations:
 - The State Board must convene and consult with a statewide advisory committee including a superintendent, a school board member, a school district business

manager or chief financial officer, and designees from PDE and the Office of the Budget.

- Members of the statewide advisory committee must be selected to represent the rural, suburban and urban school districts of the Commonwealth.
- The statewide advisory committee must be convened within 60 days and must meet regularly.
- PDE provides technical assistance to each school district in financial recovery status.
- Once a school district is declared to be in financial recovery status, the Commonwealth commits to ensuring the continued effective education of students in the school district.
- ***Chief Recovery Officer***
 - Within 5 days of a declaration of financial recovery, the Secretary must appoint a chief recovery officer (CRO) for the school district who serves at the pleasure of the Secretary.
 - The CRO must satisfy one of the following:
 - Possess at least 5 years' experience in the field of budget and financial management, public school finance, school administration, accounting, academic assessment or education law;
 - Hold a graduate degree in business or finance and have at least 4 years' relevant experience in business, finance or management; or
 - Be the current business manager or financial officer of a Pennsylvania school district.
 - The CRO may not be an elected or appointed official or employee of the school district.
 - The CRO may not run for elected office in the school district or in any political subdivision coterminous with the school district within 2 years after his appointment as CRO has ended.
 - PDE shall pay the CRO a salary determined by PDE and actual and necessary expenses.
 - Powers and duties of the CRO:
 - With PDE assistance, develop, implement and administer a financial recovery plan for the school district.
 - Coordinate PDE's provision of technical assistance to the school district.
 - Oversee the school district during a 5-year post-financial recovery transition period.
 - Attend regular and executive sessions of the school board.
 - Where a Receiver is appointed by the court, serve as an advisor to the Receiver.
 - Receive public input regarding the development and implementation of the financial recovery plan.
 - Have full access to all records of the school district, with the ability to petition the Court of Common Pleas for a writ of mandamus to require elected or appointed officials to furnish records and information.
 - Negotiate with creditors of the school district in an effort to adjust claims.
- ***Financial Recovery Plan***
 - The financial recovery plan for a school district in financial recovery status must:

- Provide for the delivery of effective educational services.
- Provide for the payment of lawful financial obligations.
- Provide for the timely deposit of required payments to the Public School Employees' Retirement Fund.
- Provide a plan for the school district's return to financial stability, which:
 - Must include the following:
 - A cash flow analysis.
 - Revenue and expenditure projections for the current year and the following 2 years.
 - Benchmarks and timelines for restoring the school district to financial stability.
 - May include any of the following, if appropriate:
 - Recommendations that will:
 - Satisfy judgments, past-due accounts payable and past-due and payable payroll and fringe benefits.
 - Eliminate deficits and deficit funds.
 - Restore to special fund accounts money from those accounts that was used for unauthorized purposes.
 - Balance the budget, avoid future fund deficits and maintain current payments of payroll, fringe benefits and accounts through possible revenue enhancement recommendations, including tax or fee changes.
 - Avoid a future declaration of financial recovery status.
 - Enhance the school district's ability to negotiate new debt.
 - Consider changes in accounting procedures.
 - Propose debt reduction on specific claims through amortized or lump sum payments.
 - Recommendations for:
 - Changes in permanent and temporary staffing levels, organization and policy.
 - Special audits or further studies.
 - Sale, lease, conveyance, assignment or other use or disposition of assets.
 - The application for a loan under the Financial Recovery Transitional Loan Program.
 - An analysis of whether functional consolidation or privatization of services would be appropriate or feasible, including timelines for implementation and anticipated cost efficiencies.
 - A capital budget that addresses infrastructure deficiencies.
 - Recommendations for greater use of Commonwealth or intermediate unit programs.
 - Recommendations for, and anticipated cost savings resulting from, the use of new tools available under this bill (listed and explained later in this outline).

- At PDE's expense, require the school district to use financial data software that is connected directly to PDE's financial data systems, to ensure that both the school district and PDE are using accurate and consistent data.
- Establish specific criteria the school district must satisfy to terminate financial recovery status, which must include, but are not limited to:
 - The school district does not request an advance of its basic education subsidy.
 - All teacher and other employee salaries are paid when due.
 - The school district is not in default on any indebtedness and is not subject to withholding by the Secretary under section 633 of the School Code.
 - The school district does not satisfy any other triggers for a declaration of financial recovery status set forth in regulations of the State Board of Education.
 - The school district is making progress toward financial stability.
- The financial recovery plan may require the school district to use any of the following tools available to school districts in financial recovery status:
 - Reopen the school district's budget.
 - Convert school buildings to charter schools. *(Similar to a tool that is now available to a School Reform Commission (SRC))*
 - By a majority vote, the school board would designate and approve school buildings or portions of buildings it seeks to convert.
 - Once the board votes to convert a building to a charter school, the board must conduct a Request for Proposals process to solicit and evaluate applications to operate the charter school from individuals or entities authorized to establish a charter school under the current Charter School Law.
 - Cancel or renegotiate contracts, other than collective bargaining agreements, if doing so will effect needed economies in the operation of district schools. *(Currently available to an SRC)*
 - Increase tax levies, subject to Act 1. *(Currently available to an SRC)*
 - Appoint a special collector of delinquent taxes. *(Currently available to an SRC)*
 - Dispense with the services of nonprofessional employees that are not needed for the economical operation of the district. *(Currently available to an SRC)*
 - Enter into agreements with persons or organizations to operate schools. *(Currently available to an SRC)*
 - Suspend or revoke a charter. *(Currently available to an SRC)*
 - Employ professional and senior management employees without state certification if the Secretary approves the person's qualifications. *(Currently available to an SRC)*
 - Enter into agreements with persons or organizations providing educational or other services to or for the school district. *(Currently available to an SRC)*
 - Close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees. *(Currently available to an SRC)*
 - Appoint managers, administrators or organizations to oversee school operations. *(Currently available to an SRC)*

- Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes. *(Currently available to an SRC)*
- Supervise and direct principals, teachers and administrators. *(Currently available to an SRC)*
- Negotiate a new collective bargaining agreement if doing so will effect needed economies in the operation of district schools, provided that:
 - The parties would have 90 days to ratify a new collective bargaining agreement; otherwise, the CRO would establish a personnel salary schedule and other contract terms that would be in effect until a new agreement is ratified.
 - No financial recovery school district is required to negotiate any of the following issues: *(Currently available to an SRC)*
 - Contracts with third parties for the provision of goods or services.
 - Decisions related to reductions in force.
 - Staffing patterns and assignments, class schedules, academic calendar, places of instruction, pupil assessment and teacher preparation time.
 - Use, continuation or expansion of pilot or experimental programs.
 - Approval or designation of a school as a charter or magnet school.
 - Use of technology to provide instructional or other services.
 - A collective bargaining agreement entered into after a declaration of financial recovery status must provide for the following, but may not provide for increased compensation solely to fulfill these requirements: *(Currently available to an SRC)*
 - A school day equal to or exceeding the state average, with additional time used exclusively for instructional time.
 - A number of instructional days equal to or exceeding the state average.
 - The right-to-strike would be eliminated. *(Currently available to an SRC)*
- Delegate to a person, including a school district employee or an organization, powers the CRO deems necessary to carry out the purposes of the new law. *(Currently available to an SRC)*
- Employ, contract with or assign persons or organizations to review the financial and educational programs of school buildings and make recommendations. *(Currently available to an SRC)*
- Negotiate a contract with a charter school under which the charter school may agree to repay a portion of the school district's financial recovery transitional loan.
- No collective bargaining agreement entered into after the approval of a financial recovery plan may violate, expand upon or diminish the provisions of the plan.
- Once the plan is approved:
 - The school board must carry out the plan and may take no actions not set forth in the plan.
 - The CRO is responsible for ensuring the plan is implemented by:

- Notifying creditors, collective bargaining units and other affected parties of the plan's adoption and how their claims and interests will be treated.
 - Overseeing the implementation of the plan by the school board by directly controlling the implementation process, including directing employees and elected or appointed district officials to take actions necessary to implement the plan and refrain from taking actions that would impede implementation of the plan.
 - Reporting monthly to PDE and the Secretary on the district's progress under the plan.
 - Modifying the plan where necessary, subject to approval of the school board and the Secretary.
 - Recommending to the Secretary when financial recovery status should be terminated.
- If the school board fails to comply with directives of the CRO, the school district is subject to the appointment of a Receiver.
- ***Process for Moderate Financial Recovery School Districts***
 - Within 90 days of his appointment, the CRO must develop a financial recovery plan.
 - The CRO may request an extension of time if needed.
 - After the CRO develops the plan, the plan is subject to review and approval by the school board and the Secretary.
 - The CRO provides copies of the plan to the school district, school board members, the superintendent of the school district, the solicitor of the school district and the advisory committee.
 - The school board must:
 - Make the plan available for public inspection.
 - Vote to approve or disapprove the plan within 30 days.
 - If the board approves the plan, the CRO must submit the plan to the Secretary within 5 days.
 - The Secretary must approve or disapprove the plan within 10 days.
 - If the Secretary disapproves the plan, the CRO must develop a revised plan within 20 days.
 - If the board does not approve the plan:
 - The school district is not eligible for a financial recovery transitional loan.
 - The school district does not receive technical assistance.
 - The Secretary must, between 366 and 370 days after the financial recovery declaration, petition the Court of Common Pleas for the appointment of a Receiver.
 - Advisory Committee:
 - Within 10 days after a financial recovery declaration, the school board must appoint an Advisory Committee to meet and consult with the CRO in the development and implementation of a financial recovery plan.
 - The Advisory Committee consists of 11 members appointed as follows:
 - 4 members appointed by the school board:

- 2 elected school board members.
 - 1 principal in the school district.
 - 1 business official in the school district.
- 6 members appointed by the local intermediate unit:
 - 1 employee of the local intermediate unit.
 - 1 representative of a charter school serving the school district.
 - 1 special education advocate.
 - 1 representative of an adjoining school district.
 - 2 community members.
- 1 teacher in the school district appointed by the local teachers' union.
- The Advisory Committee receives no compensation for its services.
- The Advisory Committee meets at least monthly with the CRO
- The Advisory Committee terminates when the district's financial recovery status is terminated.

○ ***Process for Severe Financial Recovery School Districts***

- Vote to proceed:
 - Within 14 days of the declaration of financial recovery status, the school board must adopt, by majority vote, a resolution electing to proceed with one of the following:
 - Cooperation with the CRO and development, approval and implementation of a financial recovery plan; or
 - Appointment of a Receiver.
 - Where the board does not hold a vote to proceed or votes to proceed with receivership, the Secretary must file a petition for receivership within 5 days.
- For those school districts that vote to cooperate with the CRO, the procedure is as follows:
 - Within 30 days of his appointment, the CRO must develop a financial recovery plan.
 - The CRO may request an extension of time if needed.
 - After the CRO develops the plan, the plan is subject to review and approval by the school board and the Secretary.
 - The CRO provides copies of the plan to the school district, school board members, the superintendent of the school district and the solicitor of the school district.
 - The school board must:
 - Make the plan available for public inspection.
 - Vote to approve or disapprove the plan within 10 days.
 - If the board approves the plan, the CRO must submit the plan to the Secretary within 5 days.
 - The Secretary must approve or disapprove the plan within 10 days.
 - If the Secretary disapproves the plan, the CRO must develop a revised plan within 20 days.
 - If the board does not approve the plan:
 - The school district is not eligible for a financial recovery transitional loan.
 - The school district does not receive technical assistance.
 - A petition for receivership must be filed within 5 days.

- The CRO must conduct 4 public forums to discuss the development and implementation of the plan.
- ***Financial Recovery Transitional Loan Program***
 - Account: The Financial Recovery Transitional Loan Account will be established in PDE and may be funded by any annual appropriation, principal repayments, other unencumbered funds of PDE, and interest earned on moneys in the account.
 - Eligibility and amount: Each school district in financial recovery status is eligible for a long-term, interest-free loan, in an amount, accessible over a term and repayable according to a schedule set forth in the financial recovery plan.
 - Applications: The financial recovery plan constitutes an application for a loan, and the Secretary's approval of the plan constitutes his approval of the loan. Where the court grants a petition for receivership in the case of a school district that is cooperating with the CRO but still is not achieving its goals, the court may order PDE to approve a loan.
 - Suspension: Loans are suspended and immediately due and payable if, in the judgment of the Secretary, the district fails to take all actions necessary to implement the plan and is not progressing toward financial stability.
 - The Secretary must notify the chairs of the Appropriations and Education Committees of the House and Senate when such a determination is made.
 - Voluntary charter school assistance: A school district receiving a loan may enter into a voluntary contract with a charter school in which school district students are enrolled under which the charter school may give the school district funds to assist in repayment of the loan.
 - Emergency loans:
 - Before a school district approves a financial recovery plan, the CRO may apply to the Secretary for an expedited loan if the CRO verifies the following:
 - All steps have been taken to ensure only critical payments have been made to maintain and continue instruction of students enrolled in the school district; and
 - The school district is in imminent danger of insolvency **or** the school district may cease operations within 30 days.
 - Limitations:
 - Loans shall be used solely to implement the components of the financial recovery plan, including the payment of current expenses of the school district.
 - Loans are not subject to, and are subordinate to indebtedness incurred under, the Local Government Unit Debt Act.
 - The total amount of loans awarded at any time may not exceed the amount in the fund.
 - A school district may receive only one loan per fiscal year.
 - A school district's nonpayment of a loan will not subject the school district to withholding under section 633 of the School Code.
- ***After Financial Stability is Restored***
 - Termination of Financial Recovery Status:

- In determining whether to terminate financial recovery status, the Secretary must consider:
 - Whether the school district has satisfied and is continuing to satisfy the criteria set forth in the plan.
 - Whether the monthly reports submitted by the CRO to the Secretary concerning the district's progress under the plan indicate that termination of financial recovery status is appropriate.
 - To terminate financial recovery status, the Secretary must issue a written declaration that the school district is no longer in financial recovery status, including a statement of the facts upon which the Secretary relied in making the determination.
 - A school district may petition the Secretary for termination.
 - 5-Year Transition Period:
 - Once financial recovery status is terminated and the elected school board resumes full control, the CRO and PDE maintain oversight over the elected school board for 5 years to ensure financial stability is maintained, *i.e.*, the school district continues to satisfy the criteria set forth in the plan.
 - If a political subdivision within the school district is in distress under Act 47, the CRO and PDE will maintain oversight over the school district for so long as the political subdivision is in distress, regardless of whether the school district satisfies the criteria set forth in the plan.
 - Appointment of Receiver:
 - If, during the 5-year transition period, the elected school board fails to implement the plan or to achieve criteria set forth in the plan, the Secretary must petition the Court of Common Pleas in the county in which the district is located for the appointment of a Receiver.
- **Receivership**
 - Criteria: The Secretary must petition the Court of Common Pleas for the appointment of a receiver if the school district:
 - Fails to approve the plan;
 - Fails to implement the plan;
 - Fails to achieve the criteria set forth in the plan during the 5-year transition period after termination of financial recovery status; or
 - Votes to proceed with the appointment of a Receiver.
 - Process:
 - The petition for receivership must include a copy of a financial recovery plan.
 - The court must conduct a hearing within 7 days and must issue an order granting or denying the receivership within 10 days of the hearing.
 - The court must grant the receivership unless the court finds clear and convincing evidence that the petition is arbitrary, capricious or wholly irrelevant to restoring the school district to financial stability.
 - An order granting the receivership shall:
 - Declare the school district to be in receivership for 3 years, subject to a petition for an extension.

- State the criteria upon which the order was granted.
 - Appoint the individual named in the petition as Receiver.
 - Direct the Receiver to implement the financial recovery plan.
 - If the school district has applied for a financial recovery transitional loan, order PDE to award a loan to the school district.
- An order denying the receivership shall state the reasons the petition was denied and findings of fact to support the order.
- When a Receiver is appointed:
 - The CRO remains in place as an advisor to the Receiver.
 - The Receiver assumes all powers and duties of the board of school directors except the power to levy and raise taxes, which remains a power of the elected board. The elected board is required to levy and raise taxes if directed to do so by the Receiver.
- The Receiver:
 - The Receiver must: (1) have at least 5 years' experience in the field of budget and financial management, public school finance, school administration, accounting, academic assessment or education law; (2) hold a graduate degree in business or finance and have at least 4 years' relevant experience in business, finance or management; or (3) be the current business manager or financial officer of a Pennsylvania school district.
 - The CRO for the school district may be appointed as Receiver.
 - The Receiver's compensation will be set and paid by PDE pursuant to a contract between the Receiver and PDE. PDE will also reimburse the Receiver for actual and necessary expenses.
 - The Receiver may not:
 - Be an elected or appointed official of the school district or an employee of the school district.
 - Seek elected office in the school district or in a political subdivision coterminous with the school district for a period of 2 years after his appointment as Receiver has ended.
 - Engage in any conduct prohibited by the State Adverse Interest Act.
 - The Receiver will not be liable personally for obligations of a school district in financial recovery and will enjoy sovereign and official immunity.
 - The Secretary may, for any reason, file a petition with the Court requesting that the appointment of a Receiver be revoked and that the current Receiver be replaced.
- The Receiver must:
 - Ensure that the plan developed by the CRO is implemented by the CRO and the elected school board.
 - Submit quarterly reports to the Secretary, the Superintendent and the elected school board (and the Advisory Committee, if one is required) concerning progress under the plan.
 - Meet regularly with the Advisory Committee if one is required.
 - Direct the school district to take any actions necessary to implement the plan and refrain from taking actions that would impede implementation of the plan.

- Modify the plan as necessary by submitting a petition to the Court of Common Pleas.
 - Employ financial or legal experts to develop and implement the plan.
 - Attend regular and executive sessions of the school board.
 - Petition the Court for a writ of mandamus upon any elected or appointed official to secure compliance with a directive of the Receiver
- Termination of Receivership:
 - The receivership shall expire 3 years after the appointment of the Receiver unless the Secretary petitions the Court for one or more 3-year extensions of the receivership.
 - 5--Year Transition Period:
 - Once the receivership has expired and the elected school board resumes full control, the CRO and PDE maintain an oversight role over the elected school board for 5 years to ensure financial stability is maintained, *i.e.*, the school district continues to satisfy the criteria set forth in the plan and the financial recovery triggers are not occurring.
 - If a political subdivision located within the school district is in distress under Act 47, the CRO and PDE will maintain an oversight role over the school district for so long as the political subdivision is in distress, regardless of whether the school district satisfies the criteria set forth in the plan.
- ***Miscellaneous Provisions***
 - School directors must remain in office: Consistent with current law regarding distressed school districts, the elected school directors of a district in financial recovery status may not resign their offices without the approval of the CRO or Receiver, and shall continue in office for the remainder of their terms, unless removed from office for neglect of duty or unless a director is elected or appointed to another position for which there is a requirement that the person hold no elective office or not serve as a school director.
 - Elections: A declaration of financial recovery status or the appointment of a Receiver will not interfere with the regular election or reelection of school directors.
 - Bankruptcy: School districts are specifically prohibited from filing for bankruptcy protection.
 - Transition from current fiscal distress law:
 - Current fiscal distress provisions and existing special boards of control remain in effect for a 6-month transition period while initial declarations of financial recovery status are issued and CROs are appointed.
 - Upon the appointment of a CRO, a school district's current special board of control terminates.
 - Attendance in other districts: Section 1607(b)(1) of the School Code is amended to eliminate the current 165-student cap on the number of students from a distressed school district that can be assigned on a tuition basis to a school district located within 3 miles of the distressed school district.
- ***Other Amendments Needed to Effectuate the New Law***
 - Current provisions of law applicable to special boards of control would be amended to reflect that they would no longer apply as of 6 months after the effective date of the act:

- Section 691(a) and (b): Financial distress triggers (would no longer apply to first class A, second class, third class or fourth class school districts as of 6 months after the effective date; would continue to apply to first class school districts).
- Section 692: Special board of control; petition; appointments.
- Section 692.1: When no appointment is made.
- Section 692.2: Compensation of special board of control.
- Section 693: Powers of special board of control (would no longer apply to first class A, second class, third class or fourth class school districts as of six months after the effective date; would continue to apply to first class school districts).
- Section 694: Additional tax.
- Section 695: School directors to remain in office; elections.
- Elementary Schools:
 - Section 501 would be amended to clarify that a school district may fulfill its statutory duty to “establish, equip, furnish, and maintain a sufficient number of elementary public schools” by converting a school building to a charter school, by contracting with an education management service provider to operate a school building, or by paying tuition for students residing in the school district to attend school in another school district, if both school districts agree.

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1307 Session of 2011

INTRODUCED BY MILNE, BOYD, CALTAGIRONE, CLYMER, COHEN, D. COSTA,
DAY, GABLER, GINGRICH, HALUSKA, KAVULICH, MAJOR, MILLARD,
MOUL, MUNDY, MURT, PAYTON, PEIFER, PICKETT, PYLE, RAPP,
REICHLEY, ROSS, SCHRODER, SONNEY, THOMAS, TOEPEL AND WAGNER,
APRIL 7, 2011

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES,
JUNE 23, 2011

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," FURTHER PROVIDING FOR DISTRESS IN
6 SCHOOL DISTRICTS OF THE FIRST CLASS; in intermediate units,
7 further providing for subsidies for services ~~and~~, for
8 financial reports AND FOR SUPERINTENDENTS' SALARIES; AND
9 PROVIDING FOR WEARING OF MILITARY UNIFORM AT GRADUATION
10 CEREMONY AND FOR AUDITS OF SCHOOL DISTRICTS.

←
←
←

11 The General Assembly of the Commonwealth of Pennsylvania
12 hereby enacts as follows:

13 ~~Section 1. Section 907 A of the act of March 10, 1949~~
14 ~~(P.L.30, No.14), known as the Public School Code of 1949, added~~
15 ~~May 4, 1970 (P.L.311, No.102), is amended to read:~~

←

16 SECTION 1. SECTION 696(I) (3) OF THE ACT OF MARCH 10, 1949
17 (P.L.30, NO.14), KNOWN AS THE PUBLIC SCHOOL CODE OF 1949,
18 AMENDED OCTOBER 30, 2001 (P.L.828, NO.83), IS AMENDED TO READ:

←

19 SECTION 696. DISTRESS IN SCHOOL DISTRICTS OF THE FIRST
20 CLASS.--* * *

(I) IN ADDITION TO ALL POWERS GRANTED TO THE SUPERINTENDENT BY LAW AND A SPECIAL BOARD OF CONTROL UNDER SECTION 693 AND NOTWITHSTANDING ANY OTHER LAW TO THE CONTRARY, THE SCHOOL REFORM COMMISSION SHALL HAVE THE FOLLOWING POWERS:

* * *

(3) TO SUSPEND THE REQUIREMENTS OF THIS ACT AND REGULATIONS OF THE STATE BOARD OF EDUCATION EXCEPT THAT THE SCHOOL DISTRICT SHALL REMAIN SUBJECT TO THOSE PROVISIONS OF THIS ACT SET FORTH IN SECTION 1075, SECTION 1732-A(A), (B) AND (C) AND SECTION 1714-B AND REGULATIONS UNDER THOSE SECTIONS.

* * *

SECTION 2. SECTION 907-A OF THE ACT, ADDED MAY 4, 1970 (P.L.311, NO.102), IS AMENDED TO READ:

Section 907-A. Subsidies for Services.--(a) Intermediate units shall receive subsidies from the Commonwealth as herein provided only for services performed pursuant to and authorized by law, as hereinafter provided. Nothing contained herein shall prohibit intermediate units from receiving funds from school districts and other sources including nonpublic nonprofit schools and expending such funds to provide additional services not included in the approved program of services.

(b) (1) No later than February 1, 2012, and each year thereafter, the Department of Education shall prepare a report on subsidies and funds received under this section. The report shall include, but not be limited to, the following information:

(i) A listing of all contracts, interagency agreements and purchase orders executed by a Commonwealth agency with each intermediate unit and between intermediate units.

(ii) The total amount, including annual amount for any multiyear contract, agreement or purchase order, and the

1 duration of each.

2 (iii) The source and amount of funding to cover the entire
3 cost of the contract.

4 (iv) A description of programs and services being provided,
5 including performance measures by which each intermediate unit
6 will be assessed and penalties for nonperformance, if any.

7 (v) A description of the selection process used in entering
8 into the arrangement.

9 (vi) The number of all employees, contractors and agents
10 covered under the contracts and the remuneration provided under
11 the contract.

12 (2) The Department of Education shall develop the format to
13 be used by the intermediate unit in the collection of the
14 information specified in paragraph (1).

15 (3) The Department of Education shall post the reports on
16 the department's Internet website.

17 (4) The report submitted in 2011-2012 shall cover fiscal
18 years 2009-2010 and 2010-2011. Future reports shall cover the
19 previous fiscal year.

20 Section 2 3. Section 921-A of the act is amended by adding a
21 subsection to read:

22 Section 921-A. Financial Reports.--* * *

23 (a.1) The Department of Education shall post on its Internet
24 website, in the format consistent with those already posted for
25 the other local education agencies, information included in the
26 intermediate units' annual financial report.

27 * * *

28 SECTION 4. SECTION 1075 OF THE ACT, AMENDED JANUARY 14, 1970
29 (1969 P.L.468, NO.192), IS AMENDED TO READ:

30 SECTION 1075. SALARY.--(A) THE BOARD OF SCHOOL DIRECTORS AT

1 ANY CONVENTION ELECTING A DISTRICT SUPERINTENDENT OR AN
2 ASSISTANT DISTRICT SUPERINTENDENT SHALL DETERMINE THE AMOUNT OF
3 SALARY TO BE PAID SUCH DISTRICT SUPERINTENDENT OR ASSISTANT
4 DISTRICT SUPERINTENDENT WHICH COMPENSATION SHALL BE PAID OUT OF
5 THE FUNDS OF THE DISTRICT. IF A DISTRICT SUPERINTENDENT OR AN
6 ASSISTANT DISTRICT SUPERINTENDENT IS EMPLOYED IN A JOINT SCHOOL
7 SYSTEM INCLUDING KINDERGARTEN OR GRADES 1 TO 12, HIS SALARY
8 SHALL BE FIXED BY A MAJORITY VOTE OF ALL THE SCHOOL DIRECTORS IN
9 THE DISTRICTS OPERATING THE JOINT SCHOOL SYSTEMS, AND SHALL BE
10 PAID BY THE DISTRICTS IN THE SAME PROPORTIONS AS THEY CONTRIBUTE
11 TO THE SUPPORT OF THE JOINT SCHOOL.

12 (B) DISTRICT SUPERINTENDENTS AND ASSISTANT DISTRICT
13 SUPERINTENDENTS SHALL BE ENTITLED TO THE FOLLOWING MINIMUM
14 ANNUAL SALARIES:

15 (1) ASSISTANT DISTRICT SUPERINTENDENTS HAVING LESS THAN ONE
16 HUNDRED (100) TEACHERS UNDER THEIR SUPERVISION, NINE THOUSAND
17 DOLLARS (\$9,000).

18 (2) ASSISTANT DISTRICT SUPERINTENDENTS HAVING ONE HUNDRED
19 (100) TEACHERS OR MORE BUT LESS THAN THREE HUNDRED (300)
20 TEACHERS UNDER THEIR SUPERVISION, TEN THOUSAND DOLLARS
21 (\$10,000).

22 (3) ASSISTANT DISTRICT SUPERINTENDENTS HAVING THREE HUNDRED
23 (300) OR MORE TEACHERS UNDER THEIR SUPERVISION, ELEVEN THOUSAND
24 DOLLARS (\$11,000).

25 (4) DISTRICT SUPERINTENDENTS HAVING LESS THAN ONE HUNDRED
26 (100) TEACHERS UNDER THEIR SUPERVISION, THIRTEEN THOUSAND
27 DOLLARS (\$13,000).

28 (5) DISTRICT SUPERINTENDENTS HAVING ONE HUNDRED (100)
29 TEACHERS OR MORE BUT LESS THAN THREE (300) TEACHERS UNDER THEIR
30 SUPERVISION, FOURTEEN THOUSAND DOLLARS (\$14,000).

(6) DISTRICT SUPERINTENDENTS HAVING THREE HUNDRED (300) OR MORE TEACHERS UNDER THEIR SUPERVISION, FIFTEEN THOUSAND DOLLARS (\$15,000) .

(C) EXCEPT AS PROVIDED UNDER SUBSECTION (B), DISTRICT SUPERINTENDENTS AND ASSISTANT DISTRICT SUPERINTENDENTS OF A SCHOOL DISTRICT THAT HAS BEEN ISSUED A CERTIFICATION DECLARING THE SCHOOL DISTRICT IN FINANCIAL DISTRESS UNDER SECTION 691 MAY NOT RECEIVE:

(1) ANY FORM OF ANNUAL COMPENSATION EXCEPT FOR AN ANNUAL SALARY. FOR THE PURPOSES OF THIS PARAGRAPH, ANNUAL COMPENSATION SHALL INCLUDE BONUSES, INCENTIVE PAYMENTS AND ANY OTHER TYPE OF COMPENSATION. ANNUAL COMPENSATION SHALL NOT INCLUDE MEDICAL BENEFITS OR A SEVERANCE PAYMENT IF THE DISTRICT SUPERINTENDENT OR ASSISTANT DISTRICT SUPERINTENDENT IS NOT TERMINATED.

(2) ANY TYPE OF SEVERANCE PAYMENT IF THE DISTRICT SUPERINTENDENT OR ASSISTANT DISTRICT SUPERINTENDENT WAS TERMINATED.

SECTION 5. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:

SECTION 1616. WEARING OF MILITARY UNIFORM AT GRADUATION CEREMONY.--A STUDENT SHALL HAVE THE RIGHT TO WEAR A DRESS UNIFORM ISSUED TO THE STUDENT BY A BRANCH OF THE UNITED STATES ARMED FORCES WHILE PARTICIPATING IN THE GRADUATION CEREMONY FOR THE STUDENT'S HIGH SCHOOL IF THAT STUDENT MEETS THE FOLLOWING REQUIREMENTS:

(1) THE STUDENT HAS FULFILLED ALL OF THE REQUIREMENTS FOR RECEIVING A HIGH SCHOOL DIPLOMA IN THIS COMMONWEALTH AND IS OTHERWISE ELIGIBLE TO PARTICIPATE IN THE GRADUATION CEREMONY.

(2) THE STUDENT HAS COMPLETED BASIC TRAINING FOR, AND IS AN ACTIVE MEMBER OF, A BRANCH OF THE UNITED STATES ARMED FORCES.

SECTION 2411. AUDITS OF SCHOOL DISTRICTS.--THE DEPARTMENT OF

1 THE AUDITOR GENERAL SHALL, EVERY FOUR YEARS, HAVE THE POWER, AND
2 ITS DUTY SHALL BE, TO AUDIT THE FINANCIAL ACCOUNTS AND RECORDS
3 OF EACH SCHOOL DISTRICT THAT HAS BEEN ISSUED A CERTIFICATION
4 DECLARING THE SCHOOL DISTRICT IN FINANCIAL DISTRESS UNDER
5 SECTION 691 THAT RECEIVES AN APPROPRIATION OF MONEY, PAYABLE OUT
6 OF ANY FUND IN THE STATE TREASURY, OR ENTITLED TO RECEIVE ANY
7 PORTION OF ANY STATE TAX FOR ANY PURPOSE WHATSOEVER, AS FAR AS
8 MAY BE NECESSARY TO SATISFY THE DEPARTMENT OF THE AUDITOR
9 GENERAL THAT THE MONEY RECEIVED WAS EXPENDED OR IS BEING
10 EXPENDED FOR NO PURPOSE OTHER THAN THAT FOR WHICH IT WAS PAID.

11 IF AT ANY TIME THE DEPARTMENT OF THE AUDITOR GENERAL SHALL
12 FIND THAT ANY MONEY RECEIVED BY A SCHOOL DISTRICT THAT HAS BEEN
13 ISSUED A CERTIFICATION DECLARING THE SCHOOL DISTRICT IN
14 FINANCIAL DISTRESS UNDER SECTION 691 HAS BEEN EXPENDED FOR ANY
15 PURPOSE OTHER THAN THAT FOR WHICH IT WAS PAID, IT SHALL NOTIFY
16 THE DEPARTMENT OF EDUCATION WITHIN NINETY DAYS OF THE FINDING,
17 AND SHALL DECLINE TO APPROVE ANY FURTHER REQUISITION FOR THE
18 PAYMENT OF ANY APPROPRIATION, OR ANY FURTHER PORTION OF ANY
19 STATE TAX, TO THE SCHOOL DISTRICT, UNTIL AN AMOUNT EQUAL TO THAT
20 IMPROPERLY EXPENDED SHALL HAVE BEEN EXPENDED FOR THE PURPOSE FOR
21 WHICH THE MONEY IMPROPERLY EXPENDED WAS RECEIVED FROM THE STATE
22 TREASURY.

23 THE TREASURY DEPARTMENT SHALL SUBMIT, AT LEAST ANNUALLY, TO
24 THE DEPARTMENT OF THE AUDITOR GENERAL, ITS LISTING OF
25 APPROPRIATIONS MADE TO EACH SCHOOL DISTRICT AND THE FUND OR
26 ACCOUNT FROM WHICH THE APPROPRIATION WAS RELEASED.

27 SECTION 6. THE AMENDMENT OF SECTION 1075 OF THE ACT SHALL
28 APPLY TO A CONTRACT SETTING THE COMPENSATION OF A DISTRICT
29 SUPERINTENDENT OR ASSISTANT DISTRICT SUPERINTENDENT OF A SCHOOL
30 DISTRICT THAT HAS BEEN ISSUED A CERTIFICATION DECLARING THE

1 SCHOOL DISTRICT IN FINANCIAL DISTRESS UNDER SECTION 691 ENTERED
2 INTO OR RENEWED ON OR AFTER THE EFFECTIVE DATE OF THIS SECTION.

3 Section ~~3~~ 7. This act shall take effect in 60 days.



LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Bill, page 1, lines 5 through 8, by striking out
2 "FURTHER PROVIDING FOR DISTRESS IN " in line 5 and all of lines
3 6 through 8

4 Amend Bill, page 1, line 10, by striking out "AND FOR AUDITS
5 OF SCHOOL DISTRICTS"

6 Amend Bill, page 1, lines 16 through 20; pages 2 through 4,
7 lines 1 through 30; page 5, lines 1 through 18, by striking out
8 all of said lines on said pages and inserting

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 a
11 section to read:

12 Amend Bill, page 5, line 30; page 6, lines 1 through 30; page
13 7, lines 1 and 2, by striking out all of said lines on said
14 pages

15 Amend Bill, page 7, line 3, by striking out "7" and inserting

16 2

LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Bill, page 1, line 5, by inserting after "thereto,"
2 in duties and powers of boards of school directors, further
3 providing for elementary schools; in school finances, further
4 providing for when district distressed; repealing provisions
5 relating to special board of control, petition and appointments,
6 when no appointment is made and compensation of special board of
7 control; further providing for powers of special board of
8 control and for distress in school districts of the first class;
9 repealing provisions relating to additional tax and to school
10 directors to remain in office and elections; adding provisions
11 relating to school district financial recovery; establishing the
12 Financial Recovery School District Transitional Loan Account;

13 Amend Bill, page 1, lines 7 and 8, by striking out ", for "

14 in line 7 and all of line 8 and inserting

15 and for financial reports; further providing for manner of
16 election or approval; providing for performance review; further
17 providing for election of assistant district superintendents,
18 for term and salary of assistants, for commissions and for
19 removal; in high schools, further providing for attendance in
20 other districts; and

21 Amend Bill, page 1, line 10, by striking out "AUDITS OF
22 SCHOOL DISTRICTS" and inserting

23 superintendents of schools or buildings and of supplies

24 Amend Bill, page 1, lines 16 through 18, by striking out all
25 of said lines and inserting

26 Section 1. Section 501 of the act of March 10, 1949 (P.L.30,
27 No.14), known as the Public School Code of 1949, is amended to
28 read:

29 Section 501. Elementary Schools.--(a) The board of school
30 directors in every school district shall establish, equip,
31 furnish, and maintain a sufficient number of elementary public
32 schools, in compliance with the provisions of this act, to
33 educate every person, residing in such district, between the

ages of six and twenty-one years, who may attend.

(b) A board of school directors may satisfy the requirement set forth in subsection (a) by any of the following:

(1) Operating a school building.

(2) Converting a school building to a charter school.

(3) Contracting with an education management service provider to operate a school building. For purposes of this paragraph, "education management service provider" shall mean a for-profit education management organization, nonprofit charter management organization, school design provider, business manager or any other partner entity with which a school district contracts to provide educational design, business services, comprehensive management or personnel functions. The term shall not include a charter school foundation.

(4) Paying tuition for students residing in the school district to attend school in another school district upon the agreement of both school districts.

Section 2. Section 691(a) of the act, amended April 27, 1998 (P.L.270, No.46), is amended to read:

Section 691. When District Distressed.--(a) [A] Except for a school district of the first class A, second class, third class or fourth class, a school district shall be deemed to be distressed when any one of the following circumstances shall arise and the Secretary of Education, after proper investigation of the district's financial condition, the administrative practices of the board and such other matters deemed appropriate by the Secretary of Education, has issued a certificate declaring such district in financial distress:

(1) The salaries of any teachers or other employes have remained unpaid for a period of ninety (90) days.

(2) The tuition due another school district remains unpaid on and after January first of the year following the school year it was due and there is no dispute regarding the validity or amount of the claim.

(3) Any amount due any joint board of school directors under a joint board agreement remains unpaid for a period of ninety (90) calendar days beyond the due date specified in the joint board's articles of agreement.

(4) The school district has defaulted in payment of its bonds or interest on such bonds or in payment of rentals due any authority for a period of ninety (90) calendar days and no action has been initiated within that period of time to make payment.

(5) The school district has contracted any loan not authorized by law.

(6) The school district has accumulated and has operated with a deficit equal to two per centum (2%) or more of the assessed valuation of the taxable real estate within the district for two successive years.

(7) A new, merged or union school district has been formed and one or more of the former school districts which compose the

1 merged or union school district was a distressed school district
2 at the time of the formation of the merged or union school
3 district.

4 * * *

5 Section 3. Section 692 of the act, amended December 9, 2002
6 (P.L.1472, No.187), is repealed:

7 [Section 692. Special Board of Control; Petition;
8 Appointments.--Whenever on the basis of a proper investigation
9 as herein provided for, the Secretary of Education has declared
10 a school district of the first class A, second class, third
11 class or fourth class to be a distressed school district under
12 section 691(a), he or his designated representative who shall be
13 a person trained in public school administration, possessing the
14 certification prerequisites demanded of a district or assistant
15 superintendent, or holding in the Department of Education the
16 rank of Deputy Secretary, shall petition the court of common
17 pleas of the county in which such district, or the largest part
18 in area, is located to appoint two citizens who shall be
19 qualified electors and taxpayers in the county in which the
20 school district is located. School directors and employes of any
21 such school district shall be ineligible for appointment by the
22 court. The appointees, together with the designated
23 representative of the Secretary of Education, shall constitute a
24 special board of control and shall serve for terms of five
25 years. No member of the board may be removed from office during
26 a term, except that the Secretary of Education may upon clear
27 and convincing evidence of malfeasance or misfeasance in office
28 remove a member prior to the expiration of the term. Before a
29 member of the board is removed, that member must be provided
30 with a written statement of the reasons for removal and an
31 opportunity for a hearing in accordance with 2 Pa.C.S. Ch. 5
32 Subch. A (relating to practice and procedure of Commonwealth
33 agencies) and Ch. 7 Subch. A (relating to judicial review of
34 Commonwealth agency action). Vacancies occurring because of
35 death, removal or resignation of members of the board shall be
36 filled within thirty (30) days of the creation of the vacancy in
37 the manner in which that position was originally filled. A
38 member of the board shall hold office until a successor is
39 appointed and qualified. The special board of control shall
40 assume control of the affairs of the district and operate it in
41 the place of the school directors during the period necessary to
42 reestablish a sound financial structure in the district. The
43 costs of the court proceedings shall be paid by the Department
44 of Education.]

45 Section 4. Section 692.1 of the act, amended January 14,
46 1970 (1969 P.L.468, No.192), is repealed:

47 [Section 692.1. When No Appointment Is Made.--In the event
48 that the court of common pleas has made no appointment of
49 members to a special board of control within thirty (30) days of
50 the date of the filing of the petition for such appointment, the
51 Superintendent of Public Instruction may designate the executive

1 director of the intermediate unit and a member of the
2 intermediate unit board of directors of the intermediate unit in
3 which the petition is presented to serve until the court makes
4 its appointments. A school director of the distressed school
5 district serving on the intermediate board of directors shall be
6 ineligible for appointment.]

7 Section 5. Section 692.2 of the act, amended June 30, 1995
8 (P.L.220, No.26), is repealed:

9 [Section 692.2. Compensation of Special Board of Control.--
10 The members of the special board appointed by the court, or the
11 member other than the executive director of the intermediate
12 unit appointed on a temporary basis by the Superintendent of
13 Public Instruction, shall be paid seventy-five dollars (\$75) for
14 each meeting of the regular board of school directors of the
15 distressed school district which they attend: Provided, however,
16 That the total amount to be paid in any fiscal year to each such
17 member shall not exceed nine hundred dollars (\$900). Such
18 payments shall be made from the funds of the school district and
19 shall be charged to administrative services even though no
20 previous provision has been made in the budget of the school
21 district for such expenses.]

22 Section 6. Section 693 of the act, added December 15, 1959
23 (P.L.1842, No.675), is amended to read:

24 Section 693. Powers of Special Board of Control.--[When]

25 (a) Except as otherwise provided in subsection (b), when the
26 special board of control assumes control of a distressed school
27 district, it shall have power and is hereby authorized to
28 exercise all the rights, powers, privileges, prerogatives and
29 duties imposed or conferred by law on the board of school
30 directors of the distressed district, and the board of school
31 directors shall have no power to act without the approval of the
32 special board of control. In addition thereto, the special board
33 of control shall have power to require the board of directors
34 within sixty (60) days to revise the district's budget for the
35 purpose of effecting such economies as it deems necessary to
36 improve the district's financial condition. To this end the
37 special board of control may require the board:

38 (1) To cancel or to renegotiate any contract other than
39 teachers' contracts to which the board or the school district is
40 a party, if such cancellation or renegotiation of contract will
41 effect needed economies in the operation of the district's
42 schools.

43 (2) To increase tax levies in such amounts and at such times
44 as is permitted by the act to which this is an amendment.

45 (3) To appoint a special collector of delinquent taxes for
46 the district who need not be a resident of the school district.
47 Such special tax collector shall exercise all the rights and
48 perform all the duties imposed by law on tax collectors for
49 school districts. The superseded tax collector shall not be
50 entitled to any commissions on the taxes collected by the
51 special collector of delinquent taxes.

1 (4) To direct the special school auditors of the department
2 or to appoint a competent independent public accountant to audit
3 the accounts of the distressed school districts.

4 (5) To dispense with the services of such nonprofessional
5 employes as in his judgment are not actually needed for the
6 economical operation of the school system.

7 (6) To suspend, in accordance with the provisions of section
8 1124 of the act to which this is an amendment, such number of
9 professional and temporary professional employes as may be
10 necessary to maintain a pupil-teacher ratio of not less than
11 twenty-six pupils per teacher for the combined elementary and
12 secondary school enrollments.

13 (b) The provisions of subsection (a) shall not apply to a
14 school district of the first class A, second class, third class
15 or fourth class.

16 Section 7. Section 694 of the act, added December 15, 1959
17 (P.L.1842, No.675), is repealed:

18 [Section 694. Additional Tax.--When the operation of a
19 distressed school district has been assumed by the special board
20 of control, the board of school directors of the district shall,
21 upon the recommendation and with the approval of the special
22 board of control, levy an additional tax or taxes sufficient to
23 liquidate the indebtedness of the district: Provided, That when
24 such school directors fail to levy such additional taxes within
25 a reasonable time, the special board of control may petition the
26 court of common pleas of the county in which such district or
27 the largest part in area is located to issue a writ of mandamus
28 requiring the board to levy such additional tax or taxes, or he
29 may, in his own name, initiate action to have the board removed
30 from office for neglect of duty subject to the provisions of
31 section 318 of this act. Notwithstanding present limitations on
32 tax rates imposed by law, such limitations shall not apply to
33 distressed school districts.]

34 Section 8. Section 695 of the act, amended July 31, 1963
35 (P.L.407, No.215), is repealed:

36 [Section 695. School Directors to Remain in Office;
37 Elections.--The school directors of a distressed district may
38 not resign their offices, except with the unanimous consent of
39 the special board of control and shall continue in office,
40 unless removed from office for neglect of duty under the
41 provisions of section 318 of this act by the court of common
42 pleas of the county in which such district or the largest part
43 in area is located, or unless any of such directors are elected
44 to another position not compatible with the position of school
45 director or are appointed to any position for which there is a
46 requirement that said appointee shall hold no elective office,
47 for the remainder of their terms during the time the district is
48 operated by the special board of control and shall perform any
49 duties delegated to them by it. The assumption of control of a
50 distressed school district by the special board of control shall
51 in no way interfere with the regular election or reelection of

1 school directors for the district.]
2 Section 9. Section 696(i)(3) of the act, amended October 30,
3 2001 (P.L.828, No.83), is amended to read:
4 Amend Bill, page 2, line 9, by inserting a bracket before
5 "SECTION" where it occurs the first time
6 Amend Bill, page 2, line 9, by inserting a bracket after
7 "SECTION" where it occurs the first time
8 Amend Bill, page 2, line 9, by striking out "1075, SECTION"
9 and inserting
10 sections 1073, 1073.1, 1076, 1077, 1078, 1080,
11 Amend Bill, page 2, line 9, by inserting a bracket before
12 "AND" where it occurs the second time
13 Amend Bill, page 2, line 9, by inserting after "SECTION"
14 where it occurs the second time
15],
16 Amend Bill, page 2, line 10, by inserting after "1714-B"
17 and 2104
18 Amend Bill, page 2, lines 12 through 30; pages 3 and 4,
19 lines 1 through 30; page 5, lines 1 through 17, by striking out
20 all of said lines on said pages and inserting
21 Section 10. The act is amended by adding an article to read:
22 ARTICLE VI-A
23 SCHOOL DISTRICT FINANCIAL RECOVERY
24 (a) Preliminary Provisions
25 Section 601-A. Scope of article.
26 This article provides for financial recovery in certain
27 school districts.
28 Section 602-A. Definitions.
29 The following words and phrases when used in this article
30 shall have the meanings given to them in this section unless the
31 context clearly indicates otherwise:
32 "Advisory committee." The advisory committee established by
33 a board of school directors under section 654-A.
34 "Chief recovery officer." The chief recovery officer
35 appointed by the Secretary of Education under section 631-A.
36 "Claim." A right to:
37 (1) payment, whether or not the right is reduced to

1 judgment, liquidated, unliquidated, fixed, contingent,
2 matured, unmatured, disputed, undisputed, legal, equitable,
3 secured or unsecured; or

4 (2) an equitable remedy for breach of performance if the
5 breach gives rise to a right to payment, whether or not the
6 right to an equitable remedy is reduced to judgment, fixed,
7 contingent, matured, unmatured, disputed, undisputed, secured
8 or unsecured.

9 "Creditor." An individual, partnership, corporation,
10 association, estate, trust or governmental unit that has a claim
11 against a school district. The term shall include the Public
12 School Employees' Retirement Board.

13 "Deficit." The excess of expenditures over revenues,
14 calculated as a percentage of revenue, during an accounting
15 period, and which calculation includes all governmental fund
16 types and all proprietary fund types, but excludes all fiduciary
17 fund types of the school district.

18 "Department." The Department of Education of the
19 Commonwealth.

20 "Employee organization." As defined in section 1101-A.

21 "Expenditures." Reductions in fund equity, including current
22 operating expenses that require the use of fund equity, debt
23 service and capital outlays. The term shall not include
24 interfund transfers.

25 "Financial recovery plan" or "plan." A financial recovery
26 plan under subarticle (c).

27 "Financial recovery school district." A school district of
28 the first class A, second class, third class or fourth class
29 declared by the Secretary of Education to be in financial
30 recovery status under section 621-A.

31 "Financial recovery school district transitional loan
32 account." The account for loans awarded under Subdivision (vii)
33 of subarticle (c).

34 "Fund equity." Excess of assets of a fund over its
35 liabilities. The term shall include a fund balance.

36 "Receiver." The receiver of a financial recovery school
37 district appointed under Subdivision (vi) of subarticle (c).

38 "Revenues." Additions to fund equity other than from
39 interfund transfers, proceeds of debt and proceeds of
40 disposition of general fixed assets.

41 "School district." A school district of the first class A,
42 second class, third class and fourth class and a financial
43 recovery school district. The term does not include a school
44 district of the first class.

45 "Secretary." The Secretary of Education of the Commonwealth.

46 (b) School District Financial Watch
47 Section 611-A. Early warning system.

48 (a) Establishment.--

49 (1) The department shall develop and implement an early
50 warning system under which the department shall:

51 (i) Compile financial data and maintain accurate and

1 current information and data on the financial conditions
2 of school districts. Each school district shall provide
3 its financial data and information to the department
4 within 15 days of a request by the department.

5 (ii) Regularly analyze and assess school district
6 budget reports, data and other information directly
7 related to the financial conditions of school districts.

8 (iii) Utilize appropriate fiscal and socioeconomic
9 variables to identify financial difficulties in school
10 districts in financial watch status.

11 (iv) Notify any school district identified for
12 financial watch status.

13 (v) Offer technical assistance to school districts
14 in financial watch status to correct minor financial
15 problems and to avoid a declaration of financial recovery
16 status under section 621-A.

17 (2) (i) The department shall develop the fiscal and
18 economic variables to be used in identifying school
19 districts in financial watch status, shall test the
20 validity and reliability of the variables and shall
21 continuously monitor the variables to assure their
22 effectiveness.

23 (ii) The variables developed by the department under
24 this paragraph shall include, but shall not be limited
25 to, whether any political subdivision located within the
26 school district is a financially distressed municipality
27 under the act of July 10, 1987 (P.L.246, No.47), known as
28 the Municipalities Financial Recovery Act.

29 (3) In developing an early warning system under this
30 section, the department may employ or contract with fiscal
31 consultants as deemed necessary to administer the provisions
32 of this section.

33 (b) Duties.--When a school district is identified through
34 the early warning system for financial watch status, the
35 department shall:

36 (1) Notify the school district that the department has
37 identified the school district for financial watch status.

38 (2) Request from the school district all information
39 necessary to enable the department to conduct a review of the
40 school district's financial condition. A school district that
41 receives a request for information under this paragraph shall
42 provide the department with all information requested within
43 15 days.

44 (3) Perform a thorough review of the school district's
45 financial condition, which shall include a review of the
46 information provided by the school district under paragraph
47 (2) and which may include visits and correspondence with
48 school district officers and employees.

49 (4) Provide the school district with technical
50 assistance appropriate to remedying the school district's
51 financial difficulties, which may include, but shall not be

1 limited to, contracting with financial consultants to assist
2 the school district.

3 (c) Guidelines.--

4 (1) Within 60 days of the effective date of this
5 section, the department shall establish guidelines for the
6 operation of the early warning system established under this
7 section, including a description of the variables that will
8 be used by the department to identify school districts in
9 financial watch status. The guidelines shall be published as
10 a statement of policy in the Pennsylvania Bulletin and shall
11 be posted on the department's publicly accessible Internet
12 website.

13 (2) Notwithstanding any other provision of law to the
14 contrary, guidelines required under this subsection shall not
15 be subject to review, regulation or approval by the State
16 Board of Education.

17 (3) The guidelines established by the department, and
18 any amendments thereto, shall be exempt from the requirements
19 of the following:

20 (i) The act of June 25, 1982 (P.L.633, No.181),
21 known as the Regulatory Review Act.

22 (ii) The act of July 31, 1968 (P.L.769, No.240),
23 referred to as the Commonwealth Documents Law.

24 (iii) The act of October 15, 1980 (P.L.950, No.164),
25 known as the Commonwealth Attorneys Act.

26 (4) The early warning system may not become operational
27 until publication of the guidelines as required under
28 paragraph (1).

29 (c) School District Financial Recovery

30 (i) Declaration of School District

31 Financial Recovery Status

32 Section 621-A. Issuance of declaration.

33 (a) Criteria.--Subject to the provisions of subsection (b)
34 and after proper investigation of the school district's
35 financial condition, the administrative practices of the board
36 of school directors and such other matters deemed appropriate by
37 the secretary, the following shall apply:

38 (1) (i) Subject to the provisions of subparagraph (ii),
39 the secretary shall issue a declaration that a school
40 district is in financial recovery status when either of
41 the following applies:

42 (A) The school district has an average daily
43 membership greater than 7,500 and receives an advance
44 of its basic education subsidy at any time.

45 (B) The school district receives an advance of
46 its basic education subsidy at any time and is either
47 subject to a declaration of financial distress under
48 section 691 or engaged in litigation against the
49 Commonwealth in which the school district seeks
50 financial assistance from the Commonwealth to allow
51 the school district to continue in operation.

1 (ii) Notwithstanding the provisions of subparagraph
2 (i), the secretary may decline to issue a declaration
3 that a school district is in financial recovery status
4 where the secretary determines that the school district,
5 within the previous five years, has faced an emergency
6 that caused the occurrence of a circumstance set forth in
7 subparagraph (i).

8 (2) (i) Within two years of the effective date of this
9 section, the State Board of Education shall promulgate
10 final-omitted regulations under the act of June 25, 1982
11 (P.L.633, No.181), known as the Regulatory Review Act,
12 establishing additional criteria which the secretary may
13 consider in determining whether to issue a declaration
14 that a school district is in financial recovery status
15 and whether a school district in financial recovery
16 status shall be deemed a moderate financial recovery
17 school district under subdivision (iv) or a severe
18 financial recovery school district under subdivision (v).

19 (ii) (A) In promulgating the regulations required
20 under subparagraph (i), the State Board of Education
21 shall convene and consult with a Statewide advisory
22 committee which shall include a superintendent, a
23 school board member, a school district business
24 manager or chief financial officer, one designee from
25 the department and one designee from the Office of
26 the Budget.

27 (B) Members of the Statewide advisory committee
28 required to be convened under clause (A) shall be
29 selected to be representative of the rural, suburban
30 and urban school districts of this Commonwealth.

31 (C) The Statewide advisory committee required to
32 be convened under clause (A) shall be convened not
33 later than 60 days after the effective date of this
34 section and shall meet regularly to fulfill the
35 requirements of this paragraph.

36 (b) Failure of Commonwealth to make payment.--No school
37 district shall be declared in financial recovery status by
38 reason of any of the circumstances enumerated in subsection (a)
39 (1) or any of the criteria stated in regulations promulgated
40 under subsection (a) (2) having been caused by the failure of the
41 Commonwealth to make any payment of money due the school
42 district at the time the payment is due, including payment of
43 any Federal funding that is distributed through the
44 Commonwealth.

45 (c) Appeal.--A declaration of financial recovery status by
46 the secretary under this section is appealable under 2 Pa.C.S.
47 (relating to administrative law and procedure).
48 Section 622-A. Commitment to ensure delivery of effective
49 educational services.

50 The Commonwealth shall ensure the delivery of effective
51 educational services to all students enrolled in a school

1 district in financial recovery status under Subdivision (i) or
2 in receivership under Subdivision (vi).

3 Section 623-A. School directors to remain in office and
4 elections.

5 (a) Resignation prohibited.--The school directors of a
6 school district that has been declared in financial recovery
7 status under this subdivision or is in receivership under
8 Subdivision (vi) may not resign their offices, except with the
9 consent of the chief recovery officer or receiver, and shall:

10 (1) Remain in office, unless:

11 (i) removed from office for neglect of duty under
12 the provisions of section 318; or

13 (ii) the directors are elected to another position
14 incompatible with the position of school director or are
15 appointed to any position for which there is a
16 requirement that the appointee must hold no elective
17 office,

18 for the remainder of their terms during the time the school
19 district is in financial recovery status or receivership.

20 (2) Perform any duties delegated to them by the chief
21 recovery officer or the receiver appointed to serve the
22 school district.

23 (3) Comply with any directive issued to them by the
24 chief recovery officer or the receiver if the directive is
25 consistent with the financial recovery plan for the school
26 district.

27 (b) No interference with elections.--A declaration by the
28 secretary that a school district is in financial recovery status
29 under section 621-A or the appointment of a receiver under
30 Subdivision (vi) shall in no way interfere with the regular
31 election or reelection of school directors for the school
32 district.

33 Section 624-A. Termination of status.

34 (a) Declaration by secretary.--

35 (1) (i) Following a determination that the school
36 district has satisfied and is continuing to satisfy the
37 criteria for termination of financial recovery status
38 enumerated in section 641-A(9), the secretary may issue a
39 declaration terminating the school district's financial
40 recovery status.

41 (ii) In making the determination under this
42 paragraph, the secretary shall consider whether the
43 monthly financial reports submitted by the chief recovery
44 officer to the secretary and the department concerning
45 the school district's progress under the financial
46 recovery plan under section 653-A(a)(3) or 664-A(a)(3)
47 indicate that termination of financial recovery status is
48 appropriate.

49 (2) If the secretary determines to terminate a school
50 district's financial recovery status under this section, the
51 secretary shall issue a written declaration stating:

1 (i) That the school district's financial recovery
2 status has been terminated.

3 (ii) The effective date of the termination of
4 financial recovery status.

5 (iii) A statement of the facts upon which the
6 secretary relied in making the determination.

7 (b) Determination upon petition by a school district.--A
8 financial recovery school district may petition the secretary
9 for a declaration that the school district's financial recovery
10 status has been terminated. A declaration issued under this
11 subsection shall comply with subsection (a).

12 Section 625-A. Transition period.

13 (a) Board resumes control and oversight.--Subject to the
14 provisions of subsections (b) and (c), after the secretary
15 terminates a school district's financial recovery status under
16 section 624-A, the following shall apply:

17 (1) The board of school directors shall resume full
18 control over school district management.

19 (2) The chief recovery officer and the department shall
20 oversee the board of school directors for five years to
21 ensure financial stability is maintained.

22 (b) Petition for appointment of receiver.--If, during the
23 transition period after the secretary terminates a school
24 district's financial recovery status under section 624-A, the
25 board of school directors fails to maintain the objectives
26 stated in the financial recovery plan, the secretary shall
27 petition the court of common pleas in the county in which the
28 school district or the largest part in area of the school
29 district is located for the appointment of a receiver under
30 Subdivision (vi).

31 (c) Oversight where municipalities financially distressed.--
32 Notwithstanding the provisions of subsection (a), the chief
33 recovery officer and the department shall oversee the board of
34 school directors of any former financial recovery school
35 district for so long as any political subdivision located within
36 the school district is a financially distressed municipality
37 under the act of July 10, 1987 (P.L.246, No.47), known as the
38 Municipalities Financial Recovery Act, without regard to whether
39 the school district continues to maintain the objectives stated
40 in its financial recovery plan. The oversight shall be subject
41 to the provisions of subsection (b).

42 Section 626-A. Technical assistance.

43 Subject to sections 652-A(c)(2)(ii) and 663-A(c)(2)(ii), the
44 department shall provide technical assistance to each financial
45 recovery school district. The department's provision of
46 technical assistance shall be coordinated through the chief
47 recovery officer or receiver appointed to serve the financial
48 recovery school district.

49 (ii) Chief Recovery Officer
50 Section 631-A. Appointment.

51 (a) Appointment.--Not later than five days after a

1 declaration of financial recovery status under section 621-A,
2 the secretary shall appoint a chief recovery officer for the
3 financial recovery school district. The chief recovery officer
4 shall serve at the pleasure of the secretary.

5 (b) Qualifications and prohibitions.--

6 (1) The chief recovery officer must be an individual who
7 satisfies one of the following:

8 (i) possesses at least five years' experience in one
9 or more of the following areas: budget and financial
10 management, public school finance, school administration,
11 accounting, academic assessment or education law;

12 (ii) holds a graduate degree from an accredited
13 institution of higher education in business or finance
14 and has at least four years' relevant experience in
15 business, finance or management; or

16 (iii) is the current business manager or financial
17 officer of a school district in this Commonwealth.

18 (2) The chief recovery officer may not be an elected or
19 an appointed official or employee of the financial recovery
20 school district for which he is appointed to serve as chief
21 recovery officer.

22 (3) During the term of appointment as chief recovery
23 officer and for the following two years, the chief recovery
24 officer may not seek or hold elected office in the financial
25 recovery school district for which the chief recovery officer
26 was appointed or in any political subdivision located in the
27 financial recovery school district.

28 (c) Not subject to contractual competitive bidding
29 procedures.--Notwithstanding any other provision of law to the
30 contrary, the appointment of a chief recovery officer shall not
31 be subject to contractual competitive bidding procedures.
32 Section 632-A. Compensation.

33 The department shall pay a chief recovery officer appointed
34 by the secretary under section 631-A actual and necessary
35 expenses incurred in the performance of duties as chief recovery
36 officer and a reasonable salary determined by the department.

37 Section 633-A. Powers and duties.

38 Subject to section 662-A, the chief recovery officer shall:

39 (1) With the assistance of the department, develop,
40 implement and administer a financial recovery plan in
41 accordance with Subdivision (iii).

42 (2) Coordinate the department's provision of technical
43 assistance to the financial recovery school district under
44 section 626-A.

45 (3) Maintain oversight of the financial recovery school
46 district during the transition period under section 625-A.

47 (4) Attend regular and executive sessions of the board
48 of school directors.

49 (5) When a receiver is appointed to oversee the
50 management of the financial recovery school district under
51 Subdivision (vi), serve as an advisor to the receiver.

1 (6) Where an advisory committee is established under
2 section 654-A, meet at least monthly with the advisory
3 committee.

4 (7) In a financial recovery school district to which
5 section 654-A does not apply, conduct at least four public
6 forums on the basis for the financial recovery declaration
7 and the development and implementation of a financial
8 recovery plan.

9 Section 634-A. Access to information.

10 (a) School district required to provide records and
11 information.--The chief recovery officer shall be given full
12 access to all records of the financial recovery school district.
13 Employees and elected and appointed officials of the financial
14 recovery school district shall provide the chief recovery
15 officer with all records and information requested.

16 (b) Enforcement.--

17 (1) If the chief recovery officer reasonably believes
18 that an employee or an elected or appointed official of the
19 financial recovery school district has failed to answer
20 questions accurately or completely or has failed to furnish
21 information requested, the chief recovery officer shall
22 direct the employee or elected or appointed official in
23 writing to furnish answers to questions or to furnish
24 documents or records, or both.

25 (2) If the employee or elected or appointed official
26 refuses to furnish answers to questions or to furnish
27 documents or records within 15 days of a written request, the
28 chief recovery officer shall petition the court of common
29 pleas of the county in which the financial recovery school
30 district or the largest part in area of the financial
31 recovery school district is located for a writ of mandamus
32 requiring the employee or elected or appointed official to
33 provide the chief recovery officer with the information,
34 documents or records requested.

35 (3) Within seven days of the filing of a petition under
36 paragraph (2), the court shall conduct a hearing on the
37 petition. The court shall grant the petition and compel the
38 employee or elected or appointed official to provide the
39 requested information unless the court finds by clear and
40 convincing evidence that the request for information is
41 arbitrary, capricious or wholly irrelevant to the duties of
42 the chief recovery officer.

43 Section 635-A. Public and private meetings.

44 (a) Public meetings authorized.--

45 (1) The chief recovery officer may hold public meetings,
46 as defined in 65 Pa.C.S. Ch. 7 (relating to open meetings),
47 in connection with the preparation and implementation of a
48 financial recovery plan.

49 (2) Meetings between the chief recovery officer and an
50 advisory committee established under section 654-A shall be
51 public meetings as defined in 65 Pa.C.S. Ch. 7.

1 (b) Private meetings authorized.--Notwithstanding the
2 provisions of 65 Pa.C.S. Ch. 7, the chief recovery officer may
3 conduct private negotiation sessions between the financial
4 recovery school district and the individual creditors of the
5 financial recovery school district in an effort to obtain the
6 consent of each creditor to the proposed adjustment and handling
7 of specific claims against the financial recovery school
8 district.

9 (iii) Financial Recovery Plan
10 Section 641-A. Contents.

11 A financial recovery plan developed under this subarticle
12 shall:

13 (1) Provide for the delivery of effective educational
14 services to all students enrolled in the financial recovery
15 school district.

16 (2) Provide for the payment of lawful financial
17 obligations of the financial recovery school district.

18 (3) Provide for the timely deposit of required payments
19 to the Public School Employees' Retirement Fund.

20 (4) Provide a plan for the financial recovery school
21 district's return to financial stability, which may include
22 any of the following, if appropriate to restoring the
23 financial recovery school district's financial stability:

24 (i) Recommendations for:

25 (A) Satisfying judgments, past-due accounts
26 payable and past-due and payable payroll and fringe
27 benefits.

28 (B) Eliminating deficits and deficit funds.

29 (C) Restoring to special fund accounts money
30 from those accounts that was used for purposes other
31 than those specifically authorized.

32 (D) Balancing the budget, avoiding future
33 deficits in funds and maintaining current payments of
34 payroll, fringe benefits and accounts through
35 possible revenue enhancement recommendations,
36 including tax or fee changes.

37 (E) Avoiding a future declaration of financial
38 recovery status.

39 (F) Enhancing the ability of the financial
40 recovery school district to negotiate new general
41 obligation bonds, lease rental debt, funded debt and
42 tax and revenue anticipation borrowings.

43 (G) Considering changes in accounting and
44 automation procedures for the financial benefit of
45 the financial recovery school district.

46 (H) Proposing a reduction of debt due on
47 specific claims by an amortized or lump-sum payment
48 considered to be the most reasonable disposition of
49 each claim possible for the financial recovery school
50 district considering the totality of the
51 circumstances.

1 (ii) Recommendations for:
2 (A) Changes in permanent and temporary staffing
3 levels.
4 (B) Changes in organization.
5 (C) Changes in school district policy.
6 (D) Special audits or further studies.
7 (E) The sale, lease, conveyance, assignment or
8 other use or disposition of the financial recovery
9 school district's assets.
10 (F) The application for a loan under the
11 Financial Recovery Transitional Loan Program
12 established in Subdivision (vii) in an amount
13 specified by the chief recovery officer in the
14 financial recovery plan. The financial recovery plan
15 shall specify the current expenses of the school
16 district to which the loan proceeds would be applied.
17 (iii) An analysis of whether functional
18 consolidation or privatization of existing school
19 district services is appropriate and feasible and
20 recommendations for carrying out such consolidation or
21 privatization, including timelines for implementation and
22 anticipated cost efficiencies to be attained.
23 (iv) A capital budget which addresses infrastructure
24 deficiencies.
25 (v) Recommendations for greater use of Commonwealth
26 or intermediate unit programs.
27 (vi) Recommendations for, and anticipated cost
28 savings resulting from, the use of powers permitted to be
29 used under section 642-A.
30 (5) Set forth a cash flow analysis for the financial
31 recovery school district.
32 (6) State projections of revenues and expenditures for
33 the current year and the next two years, both assuming the
34 continuation of present operations and as impacted by the
35 measures included in the financial recovery plan.
36 (7) State benchmarks and timelines for restoring the
37 financial recovery school district to financial stability.
38 (8) Require the financial recovery school district to
39 use financial data software that is connected directly to the
40 department's financial data systems to ensure that both the
41 financial recovery school district and the department are
42 using accurate and consistent data. All costs of the
43 financial data software required to be used by the financial
44 recovery school district under this paragraph shall be paid
45 by the department.
46 (9) Establish specific criteria that the financial
47 recovery school district must satisfy before the secretary
48 may terminate the financial recovery school district's
49 financial recovery status under section 624-A. Such criteria
50 shall include, but shall not be limited to:
51 (i) The financial recovery school district does not

1 request an advance of its basic education subsidy.

2 (ii) All teacher and other employee salaries are
3 paid when due.

4 (iii) The financial recovery school district is not
5 in default on any bonds, notes or lease rentals and is
6 not subject to withholding by the secretary under section
7 633.

8 (iv) The financial recovery school district does not
9 satisfy the criteria stated in regulations promulgated
10 under section 621-A(a) (2).

11 (v) The financial recovery school district is making
12 progress toward financial stability.

13 Section 642-A. Powers and duties.

14 (a) General rule.--A school district in financial recovery
15 status under this subdivision or in receivership under
16 Subdivision (vi) may exercise any of the following powers only
17 to the extent that the powers are specifically included in the
18 school district's financial recovery plan:

19 (1) Reopen its budget for the current school year,
20 notwithstanding any other provision of law.

21 (2) Convert school buildings to charter schools. The
22 following shall apply:

23 (i) The school district may convert an existing
24 public school building or a portion of an existing public
25 school building to a charter school. There shall be no
26 limit on the number of public schools in the school
27 district that can be converted to a charter school.

28 (ii) The board of school directors may designate and
29 approve by majority vote the existing public school
30 building or portion of an existing public school building
31 that it seeks to convert to a charter school.

32 (iii) (A) The board of school directors shall
33 solicit applications to operate a charter school
34 established under this paragraph through a
35 competitive request for proposal process. The content
36 and dissemination of the request for proposal shall
37 be consistent with the purpose and the requirements
38 of Article XVII-A. The board of school directors may
39 accept applications by an individual or entity
40 authorized to establish a charter school under
41 section 1717-A(a) to operate the converted charter
42 school.

43 (B) The board of school directors shall evaluate
44 each submitted proposal in a public manner. Once a
45 proposal has been selected, the board of school
46 directors shall explain how and why the proposal was
47 selected and provide evidence, if available, of the
48 provider's success in serving student populations
49 similar to the targeted population, including
50 demonstrated academic achievement, successful
51 management of nonacademic school functions and safe

1 school environment, if applicable.

2 (C) No member of the board of school directors
3 may serve on the board of trustees of an existing
4 school or portion of an existing school which is
5 converted to a charter school under this subsection.

6 (D) The provisions of Article XVII-A shall apply
7 to an existing public school building or portion of
8 an existing public school building converted to a
9 charter school, provided that any application to
10 operate a charter school under the provisions of this
11 section and any charter school established under the
12 provisions of this section shall not be subject to
13 sections 1717-A(b), (c), (d), (e), (f), (g), (h) and
14 (i) and 1724-A, including after the school district's
15 financial recovery status is terminated under section
16 624-A or after the school district's receivership
17 expires under section 675-A.

18 (E) In the case of an existing school or portion
19 of an existing school being converted to a charter
20 school, the board of school directors shall establish
21 the alternative arrangements for current students who
22 choose not to attend the charter school.

23 (3) Cancel or renegotiate any contract, other than a
24 collective bargaining agreement, to which the board of school
25 directors or the school district is a party, if the
26 cancellation or renegotiation of contract will effect needed
27 economies in the operation of the district's schools.

28 (4) Increase tax levies in such amounts and at such
29 times as is recommended by the chief recovery officer,
30 subject to the act of June 27, 2006 (1st Sp.Sess., P.L.1873,
31 No.1), known as the Taxpayer Relief Act.

32 (5) Appoint a special collector of delinquent taxes for
33 the school district who need not be a resident of the school
34 district. The special tax collector shall exercise all the
35 rights and perform all the duties imposed by law on tax
36 collectors for school districts. The tax collector superseded
37 by the special tax collector shall not be entitled to any
38 commissions on the taxes collected by the special tax
39 collector.

40 (6) Dispense with the services of such nonprofessional
41 employees as in the judgment of the chief recovery officer
42 are not actually needed for the economical operation of the
43 school district.

44 (7) Enter into agreements with persons or for-profit or
45 nonprofit organizations to operate one or more schools. A
46 school operated under this paragraph shall be funded in
47 accordance with the terms of the agreement.

48 (8) Suspend or revoke a charter under section 1729-A.

49 (9) Employ professional and senior management employees
50 who do not hold State certifications if the secretary has
51 approved the qualifications of the persons at salaries that

1 are within the limitations stated in the financial recovery
2 plan.

3 (10) Enter into agreements with persons or for-profit or
4 nonprofit organizations providing educational or other
5 services to or for the school district. Services provided
6 under this paragraph shall be funded in accordance with the
7 terms of the agreement.

8 (11) Close or reconstitute a school, including the
9 reassignment, suspension or dismissal of professional
10 employees.

11 (12) Appoint managers, administrators or for-profit or
12 nonprofit organizations to oversee the operations of a school
13 or group of schools within the school district.

14 (13) Reallocate resources, amend school procedures,
15 develop achievement plans and implement testing or other
16 evaluation procedures for educational purposes.

17 (14) Supervise and direct principals, teachers and
18 administrators.

19 (15) Negotiate a new collective bargaining agreement if
20 the negotiation of a new collective bargaining agreement will
21 effect needed economies in the operation of the district's
22 schools, provided that:

23 (i) Collective bargaining between employees and the
24 school district shall be conducted in accordance with
25 this subsection, notwithstanding any provision of law to
26 the contrary.

27 (ii) On the date following the secretary's approval
28 of the plan under section 652-A or 663-A, the chief
29 recovery officer shall notify the employee organization
30 that a new collective bargaining agreement must be
31 renegotiated and executed within 90 days of the date of
32 notice.

33 (iii) If, upon the expiration of the 90-day
34 renegotiation period required under subparagraph (ii), a
35 new collective bargaining agreement has not been
36 ratified, the chief recovery officer shall establish a
37 personnel salary schedule and other contract terms that
38 shall apply until a new collective bargaining agreement
39 is ratified.

40 (iv) No school district in financial recovery status
41 under this subdivision or in receivership under
42 Subdivision (vi) shall be required to engage in
43 collective bargaining negotiations or enter into
44 memoranda of understanding or other agreements regarding
45 any of the following issues:

46 (A) Contracts with third parties for the
47 provision of goods or services, including educational
48 services or the potential impact of such contracts on
49 employees.

50 (B) Decisions related to reductions in force.

51 (C) Staffing patterns and assignments, class

1 schedules, academic calendar, places of instruction,
2 pupil assessment and teacher preparation time.

3 (D) The use, continuation or expansion of
4 programs designated by the chief recovery officer or
5 board of directors as pilot or experimental programs.

6 (E) The approval or designation of a school as a
7 charter or magnet school.

8 (F) The use of technology to provide
9 instructional or other services.

10 (v) A collective bargaining agreement for
11 professional employees entered into after the expiration
12 or termination of the collective bargaining agreement in
13 effect on the date of the declaration of financial
14 recovery status shall provide for the following:

15 (A) The school day for professional employees
16 shall be equal to or exceed the State average as
17 determined by the department. An extension of the
18 school day resulting from this requirement shall be
19 used exclusively for instructional time for students.

20 (B) The number of instructional days shall be
21 equal to or exceed the State average number of
22 instructional days.

23 (C) The board of directors shall not increase
24 compensation for employees solely to fulfill the
25 requirements under clauses (A) and (B).

26 (vi) A provision in any contract in effect on the
27 date of the declaration of financial recovery status
28 under this article that is in conflict with this section
29 shall be discontinued in any new or renewed contract.

30 (vii) During the time the school district is in
31 financial recovery status or in receivership under
32 Subdivision (vi), all school employees shall be
33 prohibited from engaging in any strike as defined in
34 Article XI-A and section 301 of the act of July 23, 1970
35 (P.L.563, No.195), known as the Public Employee Relations
36 Act. The secretary may suspend the certificate of an
37 employee who violates this subparagraph.

38 (viii) When a school district enters receivership
39 under Subdivision (vi), the 90-day period for
40 renegotiation of a collective bargaining agreement under
41 subparagraph (i) shall begin on the date following the
42 court's issuance of an order granting receivership under
43 section 671-A.

44 (16) Delegate to a person, including an employee of the
45 school district or a for-profit or nonprofit organization,
46 powers the chief recovery officer deems necessary to carry
47 out the purposes of this article, subject to the supervision
48 and direction of the chief recovery officer.

49 (17) Employ, contract with or assign persons or for-
50 profit or nonprofit organizations to review the financial and
51 educational programs of school buildings and make

1 recommendations to the chief recovery officer regarding
2 improvements to the financial or educational programs of
3 school buildings.

4 (18) Negotiate a contract with a charter school under
5 section 681-A(f).

6 (b) Definitions.--As used in this section, the following
7 words and phrases shall have the meanings given to them in this
8 subsection unless the context clearly indicates otherwise:

9 "Professional employee." The term shall have the meaning as
10 given in section 1101(1).

11 "Teacher." An individual who holds an instructional
12 certificate issued by the department under this act and is
13 employed full time as a temporary professional or professional
14 employee by a school entity and provides learning experiences
15 directly to students during the instructional day.

16 Section 643-A. Financial recovery plan not affected by certain
17 collective bargaining agreements or settlements.

18 No collective bargaining agreement or arbitration settlement
19 may in any manner violate, expand or diminish the provisions of
20 a financial recovery plan in effect on the date of execution of
21 the collective bargaining agreement or arbitration settlement.

22 (iv) Process for Moderate Financial
23 Recovery School Districts

24 Section 651-A. Applicability.

25 (a) General rule.--This subdivision shall apply to school
26 districts that satisfy the criteria for financial recovery
27 status stated in section 621-A(a) (1) (i) (A).

28 (b) Designation.--School districts that satisfy the criteria
29 for financial recovery status stated in section 621-A(a) (1) (i)
30 (A) shall be deemed "moderate financial recovery" school
31 districts.

32 Section 652-A. Development and approval of plan.

33 (a) Submission of plan.--

34 (1) Within 90 days of appointment, the chief recovery
35 officer shall develop a financial recovery plan that complies
36 with section 641-A and shall provide copies of the plan to
37 the school district business office, each member of the board
38 of school directors, the superintendent of the school
39 district, the solicitor of the school district and each
40 member of the advisory committee established under section
41 654-A. The chief recovery officer may comply with this
42 subsection by providing copies of the plan by electronic
43 mail.

44 (2) (i) The chief recovery officer may request from the
45 secretary an extension of time to comply with paragraph
46 (1).

47 (ii) The secretary shall grant the request for an
48 extension of time, if the secretary determines that the
49 chief recovery officer needs additional time to develop a
50 financial recovery plan that complies with section 641-A.

51 (b) Public inspection.--Upon receipt of the plan, the board

1 of school directors shall immediately place the plan on file for
2 public inspection in the school district business office and
3 make the plan available on the school district's publicly
4 accessible Internet website.

5 (c) Board of school directors' approval.--

6 (1) Within 30 days of the chief recovery officer's
7 submission of the plan to the board of school directors, the
8 board of school directors shall approve or disapprove the
9 plan by majority vote at a public meeting of the board of
10 school directors. Approval of the plan by the board of school
11 directors shall constitute the school district's application
12 for a loan under Subdivision (vii) in the amount specified in
13 the financial recovery plan.

14 (2) If the board of school directors does not approve
15 the plan within 30 days, the following shall apply:

16 (i) The school district shall not be eligible for a
17 financial recovery transitional loan under Subdivision
18 (vii).

19 (ii) The school district shall not receive technical
20 assistance from the department under section 626-A.

21 (3) If the board of school directors does not approve
22 the plan within 365 days following a declaration of financial
23 recovery status, the secretary shall petition the court of
24 common pleas of the county in which the school district or
25 the largest part in area of the school district is located
26 for the appointment of a receiver under Subdivision (vi). The
27 secretary shall file the petition under this paragraph not
28 less than 366 days nor more than 370 days following the
29 declaration of financial recovery status.

30 (d) Secretary approval.--

31 (1) If the board of school directors approves the plan
32 under subsection (c), the chief recovery officer shall
33 provide a copy of the plan to the secretary within five days
34 of the board's approval.

35 (2) Within ten days of the chief recovery officer's
36 submission of the plan to the secretary, the secretary shall
37 approve or disapprove the plan in a written statement.
38 Approval of the plan by the secretary shall constitute the
39 department's approval of a loan under Subdivision (vii) in
40 the amount specified in the financial recovery plan.

41 (3) If the secretary disapproves the plan, the following
42 shall apply:

43 (i) The secretary's written statement shall state
44 the reasons for the secretary's disapproval of the plan
45 and recommendations for revisions to the plan.

46 (ii) The chief recovery officer shall develop a
47 revised plan within 20 days of receipt of the secretary's
48 written statement disapproving the plan, distribute
49 copies of the plan as required under subsection (a) and
50 submit the revised plan to the board of school directors
51 and the secretary for approval pursuant to subsection (c)

1 and this subsection.
2 Section 653-A. Implementation of financial recovery plan.
3 (a) Chief recovery officer charged with implementing plan.--
4 Following the secretary's approval of the financial recovery
5 plan under section 652-A(d), the chief recovery officer shall:
6 (1) Implement the plan.
7 (2) Give written notice of the plan's adoption to
8 creditors, the employee organization and other parties who
9 will be directly affected by the plan's implementation. The
10 notice shall outline the provisions of the plan and specify
11 how that party's claim or interest will be treated.
12 (3) Oversee the implementation and completion of the
13 plan by directly controlling the implementation process,
14 including directing employees and elected or appointed
15 officials of the school district to take actions that, in the
16 judgment of the chief recovery officer, are necessary to
17 implement the plan and to refrain from taking actions that,
18 in the judgment of the chief recovery officer, would impede
19 the implementation of the plan.
20 (4) Provide the department and the secretary with
21 monthly reports that contain the following information:
22 (i) Evidence of payments to creditors as required
23 under the plan.
24 (ii) Evidence that any loan given to the school
25 district from the department under Subdivision (vii) is
26 being repaid.
27 (iii) Monthly revenue and expenditure sheets which
28 indicate the balances of each in relation to the other.
29 (iv) Evidence that the recommendations stated in the
30 plan are being accomplished by the dates specified in the
31 plan, where applicable.
32 (5) Suggest amendments or revisions to the plan that may
33 be necessary to implement or complete the plan or adapt the
34 plan to circumstances that arise or become apparent after
35 approval of the plan by the secretary. In determining whether
36 to suggest amendments or revisions to the plan, the chief
37 recovery officer shall consult with the board of school
38 directors, the advisory committee established under section
39 654-A and the superintendent of the school district.
40 Amendments or revisions to the plan shall be submitted to the
41 board of school directors and the secretary for approval as
42 provided in section 652-A.
43 (6) Upon achievement of the goals and objectives stated
44 in the plan, recommend to the secretary that financial
45 recovery status be terminated under section 624-A.
46 (b) Duty to comply.--
47 (1) The board of school directors shall comply with all
48 directives of the chief recovery officer under subsection (a)
49 (3) and may take no action that is:
50 (i) inconsistent with the plan;
51 (ii) not specifically identified in the plan; or

1 (iii) not directed by the chief recovery officer as
2 necessary to implement the plan.
3 (2) If a board of school directors fails to comply with
4 paragraph (1), the school district shall be subject to the
5 appointment of a receiver under Subdivision (vi).
6 Section 654-A. Advisory committee.
7 (a) Establishment.--
8 (1) Within ten days after a school district to which
9 this subdivision applies is declared to be in financial
10 recovery status under section 621-A, the board of school
11 directors shall establish an advisory committee to meet and
12 consult with the chief recovery officer or receiver in
13 carrying out the duties of the chief recovery officer or
14 receiver under this article.
15 (2) The sole function of the advisory committee shall be
16 to provide recommendations and feedback to the chief recovery
17 officer or receiver on the development and implementation of
18 the financial recovery plan.
19 (b) Composition.--The advisory committee established under
20 subsection (a) shall consist of:
21 (1) The following members appointed by the board of
22 school directors:
23 (i) Two members of the board of school directors.
24 (ii) One principal employed by the school district.
25 (iii) One business official employed by the school
26 district.
27 (2) The following members appointed by the intermediate
28 unit of which the school district is a member:
29 (i) One employee of the intermediate unit.
30 (ii) One representative of a charter school or cyber
31 charter school in which students residing in the school
32 district are enrolled.
33 (iii) One special education advocate.
34 (iv) One superintendent, school director or business
35 official of an adjoining school district.
36 (v) Two residents of the school district.
37 (3) One teacher appointed by the employee organization
38 that represents teachers employed by the school district.
39 (c) Compensation prohibited.--Members of the advisory
40 committee shall receive no compensation for their services.
41 (d) Meetings.--The advisory committee shall meet with the
42 chief recovery officer or receiver at least monthly to discuss
43 the development or implementation of the financial recovery
44 plan. Meetings of the advisory committee shall be in accordance
45 with 65 Pa.C.S. Ch. 7 (relating to open meetings).
46 (e) Termination.--The advisory committee shall terminate
47 when the school district's financial recovery status terminates
48 under section 624-A.
49 (f) Establishment of advisor committee following appointment
50 of receiver.--
51 (1) If a receiver is appointed under section 671-A(a)(1)

1 (iii), the board of school directors shall establish an
2 advisory committee within ten days of the appointment of the
3 receiver.

4 (2) The sole function of the advisory committee shall be
5 to provide recommendations and feedback to the receiver on
6 the development and implementation of the financial recovery
7 plan.

8 (3) The provisions of subsections (b), (c) and (d) shall
9 apply to the advisory committee.

10 (4) The advisory committee shall terminate when the
11 school district's receivership expires under section 675-A.

12 (v) Process for Severe Financial
13 Recovery School Districts

14 Section 661-A. Applicability.

15 (a) General rule.--This subdivision shall apply to school
16 districts that satisfy the criteria for financial recovery
17 status stated in section 621-A(a)(1)(i)(B).

18 (b) Designation.--School districts that satisfy the criteria
19 for financial recovery status stated in section 621-A(a)(1)(i)
20 (B) shall be deemed "severe financial recovery" school
21 districts.

22 Section 662-A. Vote to proceed.

23 (a) General rule.--Within 14 days following a declaration of
24 financial recovery status under section 621-A, the board of
25 school directors of a school district to which this subdivision
26 applies shall, at a regular or special meeting of the board of
27 school directors, adopt by majority vote a resolution electing
28 to proceed with one of the following:

29 (1) cooperation with the chief recovery officer
30 appointed under Subdivision (ii) and development, approval
31 and implementation of a financial recovery plan under
32 sections 663-A and 664-A; or

33 (2) the appointment of a receiver under Subdivision
34 (vi).

35 (b) Effect of failure to vote.--Any failure by the board of
36 school directors to hold a vote under this section within 14
37 days shall be deemed a vote to proceed with the appointment of a
38 receiver.

39 (c) Receivership.--Where the board of school directors votes
40 to proceed with the appointment of a receiver under subsection
41 (a)(2) or fails to hold a vote under subsection (a), the
42 secretary shall file a petition for the appointment of a
43 receiver under section 671-A(a) by the earlier of the following:

44 (1) five days following the vote of the board of school
45 directors to proceed with the appointment of a receiver; or

46 (2) nineteen days following the declaration of financial
47 recovery status.

48 Section 663-A. Development and approval of plan.

49 (a) Submission of plan.--

50 (1) Within 30 days of appointment, the chief recovery
51 officer of a school district that votes to proceed under

1 section 662-A(1) shall develop a financial recovery plan that
2 complies with section 641-A and provide copies of the plan to
3 the school district business office, each member of the board
4 of school directors, the superintendent of the school
5 district and the solicitor of the school district. The chief
6 recovery officer may comply with this subsection by providing
7 copies of the plan by electronic mail.

8 (2) (i) The chief recovery officer may request from the
9 secretary an extension of time to comply with paragraph
10 (1).

11 (ii) The secretary shall grant the request for an
12 extension of time, if the secretary determines that the
13 chief recovery officer needs additional time to develop a
14 financial recovery plan that complies with section 641-A.

15 (b) Public inspection.--Upon receipt of the plan, the board
16 of school directors shall immediately place the plan on file for
17 public inspection in the school district business office and
18 make the plan available on the school district's publicly
19 accessible Internet website.

20 (c) Board of school directors' approval.--

21 (1) (i) Within ten days of the chief recovery officer's
22 submission of the plan to the board of school directors,
23 the board of school directors shall approve or disapprove
24 the plan by majority vote at a public meeting of the
25 board of school directors. The approval of the plan by
26 the board of school directors shall constitute the school
27 district's application for a loan under Subdivision (vii)
28 in the amount specified in the financial recovery plan.

29 (ii) Any failure by the board of school directors to
30 vote on the proposed plan within ten days shall be deemed
31 a vote to disapprove the plan.

32 (2) If the board of school directors does not approve
33 the plan within ten days, the following shall apply:

34 (i) The school district shall not be eligible for a
35 financial recovery transitional loan under Subdivision
36 (vii).

37 (ii) The school district shall not receive technical
38 assistance from the department under section 626-A.

39 (iii) The secretary shall petition the court of
40 common pleas of the county in which the school district
41 or the largest part in area of the school district is
42 located for the appointment of a receiver under
43 Subdivision (vi).

44 (3) The secretary shall file the petition under this
45 paragraph not later than five days following the vote by the
46 board of school directors to disapprove the plan.

47 (d) Secretary approval.--

48 (1) If the board of school directors approves the plan
49 under subsection (c), the chief recovery officer shall
50 provide a copy of the plan to the secretary within five days.

51 (2) Within ten days of the chief recovery officer's

1 submission of the plan to the secretary, the secretary shall
2 approve or disapprove the plan in a written statement. The
3 approval of the plan by the secretary shall constitute the
4 department's approval of a loan under Subdivision (vii) in
5 the amount specified in the financial recovery plan.

6 (3) If the secretary disapproves the plan, the following
7 shall apply:

8 (i) The secretary's written statement shall state
9 the reasons for the secretary's disapproval of the plan
10 and recommendations for revisions to the plan.

11 (ii) The chief recovery officer shall develop a
12 revised plan within 20 days of receipt of the secretary's
13 written statement disapproving the plan, distribute
14 copies of the plan as required under subsection (a) and
15 submit the revised plan to the board of school directors
16 and the secretary for approval under subsection (c) and
17 this subsection.

18 Section 664-A. Implementation of financial recovery plan.

19 (a) Chief recovery officer charged with implementing plan.--
20 Following the secretary's approval of the financial recovery
21 plan under section 663-A(d), the chief recovery officer shall
22 implement the plan and:

23 (1) Give written notice of the plan's adoption to
24 creditors, the employee organization and other parties who
25 will be directly affected by the plan's implementation. The
26 notice shall outline the provisions of the plan and specify
27 how that party's claim or interest will be treated.

28 (2) Oversee the implementation and completion of the
29 plan by directly controlling the implementation process,
30 including directing employees and elected or appointed
31 officials of the school district to take actions that, in the
32 judgment of the chief recovery officer, are necessary to
33 implement the plan and to refrain from taking actions that,
34 in the judgment of the chief recovery officer, would impede
35 the implementation of the plan.

36 (3) Provide the department and the secretary with
37 monthly reports that contain the following information:

38 (i) Evidence of payments to creditors as required
39 under the plan.

40 (ii) Evidence that any loan given to the school
41 district from the department under Subdivision (vi) is
42 being repaid.

43 (iii) Monthly revenue and expenditure sheets which
44 indicate the balances of each in relation to the other.

45 (iv) Evidence that the recommendations stated in the
46 plan are being accomplished by the dates specified in the
47 plan where applicable.

48 (4) Suggest amendments or revisions to the plan that may
49 be necessary to implement or complete the plan or adapt the
50 plan to circumstances that arise or become apparent after
51 approval of the plan by the secretary. In determining whether

1 to suggest amendments or revisions to the plan, the chief
2 recovery officer shall consult with the board of school
3 directors and the superintendent of the school district.
4 Amendments or revisions to the plan shall be submitted to the
5 board of school directors and the secretary for approval as
6 provided in section 663-A.

7 (5) Upon achievement of the goals and objectives stated
8 in the plan, recommend to the secretary that financial
9 recovery status be terminated under section 624-A.

10 (b) Duty to comply.--

11 (1) The board of school directors shall comply with all
12 directives of the chief recovery officer under subsection (a)

13 (2) and may take no action that is:

14 (i) inconsistent with the plan;

15 (ii) not specifically identified in the plan; or

16 (iii) not directed by the chief recovery officer as
17 necessary to implement the plan.

18 (2) If a board of school directors fails to comply with
19 paragraph (1), the school district shall be subject to the
20 appointment of a receiver under Subdivision (vi).

21 (vi) Receivership

22 Section 671-A. Appointment of a receiver.

23 (a) Duty to file petition.--

24 (1) The secretary shall petition the court of common
25 pleas in the county in which a school district or the largest
26 part in area of the school district is located for the
27 appointment of the individual named in the petition to serve
28 as receiver for the school district upon the occurrence of
29 any of the following conditions:

30 (i) A failure by the board of school directors to
31 approve a financial recovery plan under section 652-A(c)
32 or 663-A(c).

33 (ii) A failure by the board of school directors to
34 comply with directives issued by the chief recovery
35 officer under section 653-A(a)(2) or 664-A(a)(2).

36 (iii) A failure by the board of school directors to
37 satisfy or continue to satisfy the objectives stated in
38 the financial recovery plan under section 641-A(9) during
39 the transition period under section 625-A.

40 (iv) A vote by the board of school directors to
41 proceed with the appointment of a receiver under section
42 662-A(2).

43 (2) For a school district that was declared to be in
44 financial recovery status under section 621-A(a)(1)(i)(A),
45 the secretary shall file a petition under this section not
46 less than 366 days nor more than 370 days following the
47 declaration of financial recovery status.

48 (b) Financial recovery plan.--The secretary shall attach to
49 the petition filed under subsection (a) a copy of a financial
50 recovery plan for the school district. The financial recovery
51 plan attached to the petition shall comply with section 641-A.

1 When a receiver is appointed under this subdivision, all
2 references to the chief recovery officer in section 641-A shall
3 be deemed references to the receiver appointed under this
4 subdivision.

5 (c) Requirements for individual appointed as receiver.--

6 (1) To be appointed as receiver under this subdivision,
7 an individual must satisfy one of the following:

8 (i) possess at least five years' experience in one
9 or more of the following areas: budget and financial
10 management, public school finance, school administration,
11 accounting, academic assessment or education law;

12 (ii) hold a graduate degree from an accredited
13 higher education institution in business or finance and
14 have at least four years' relevant experience in
15 business, finance or management; or

16 (iii) be the current business manager or financial
17 officer of a school district in this Commonwealth.

18 (2) The chief recovery officer of the financial recovery
19 school district may be appointed as receiver.

20 (3) The receiver shall not:

21 (i) Seek or hold a position as an employee or as an
22 elected or appointed official of the school district for
23 which the individual is appointed to serve as receiver
24 during the term of the receivership or for a period of
25 two years after the receivership has ended.

26 (ii) Seek or hold elected office in a political
27 subdivision within the school district during the term of
28 the receivership or for a period of two years after the
29 receivership has ended.

30 (iii) Engage in any conduct prohibited by the act of
31 July 19, 1957 (P.L.1017, No.451), known as the State
32 Adverse Interest Act, or 65 Pa.C.S. Ch. 11 (relating to
33 ethics standards and financial disclosure).

34 (d) Consent.--The occurrence of any of the conditions
35 enumerated in subsection (a) shall be deemed consent by the
36 board of school directors to a petition filed by the secretary
37 for the appointment of a receiver under this subdivision.

38 (e) Notice.--On the same day the secretary files the
39 petition under subsection (a), the secretary shall:

40 (1) Serve the petition by electronic mail, first class
41 mail or hand delivery upon all of the following:

42 (i) Each member of the board of school directors of
43 the school district.

44 (ii) The chief recovery officer of the school
45 district.

46 (iii) The superintendent of the school district.

47 (iv) The solicitor of the school district.

48 (v) Each member of the advisory committee, if an
49 advisory committee has been established under section
50 654-A.

51 (2) Publish notice of the filing of the petition once in

1 a newspaper of general circulation in the school district.
2 (f) Hearing.--Within seven days after the filing of a
3 petition under subsection (a), the court of common pleas shall
4 conduct a hearing on the petition.

5 (g) Order.--

6 (1) Not later than ten days following the hearing
7 conducted under subsection (f), the court shall issue an
8 order granting or denying the receivership. The court shall
9 grant the receivership unless the court finds by clear and
10 convincing evidence that the petition for the appointment of
11 a receiver is arbitrary, capricious or wholly irrelevant to
12 restoring the school district to financial stability.

13 (2) An order issued under this subsection granting the
14 receivership shall do all of the following:

15 (i) Declare the school district to be in
16 receivership for a period of three years, subject to
17 extension under section 675-A(b).

18 (ii) State the criteria upon which the order is
19 granted.

20 (iii) State findings of fact to support the order.

21 (iv) Appoint the individual named in the petition to
22 be the receiver if the individual satisfies the
23 provisions of subsection (c). The court may not appoint
24 anyone other than the individual named in the petition as
25 the receiver.

26 (v) Direct the receiver to implement the financial
27 recovery plan attached to the petition under subsection
28 (b).

29 (vi) Order the department to award a loan to the
30 school district under section 682-A(a)(1)(ii), if the
31 receiver appointed for the school district has applied
32 for a loan under section 682-A(a)(1)(ii) and the school
33 district satisfies the criteria stated in section 681-
34 A(a).

35 (3) An order issued under this subsection denying the
36 receivership shall state:

37 (i) The reasons the petition was denied.

38 (ii) Findings of fact to support the order.

39 (h) Compensation.--

40 (1) The receiver's compensation shall be set pursuant to
41 a contract between the receiver and the department and paid
42 by the department.

43 (2) The department shall reimburse the receiver for all
44 actual and necessary expenses incurred in the performance of
45 the individual's duties as receiver.

46 (i) Liability and immunity.--The receiver shall not be
47 personally liable for any obligations of the school district.
48 The receiver shall be entitled to sovereign and official
49 immunity as provided in 1 Pa.C.S. § 2310 (relating to sovereign
50 immunity reaffirmed; specific waiver) and shall remain immune
51 from suit except as provided by and subject to the provisions of

1 42 Pa.C.S. Ch. 85 Subchs. A (relating to general provisions) and
2 B (relating to actions against Commonwealth parties).

3 Section 672-A. Powers and duties.

4 (a) Assumption of powers and duties.--

5 (1) When a receiver is appointed under section 671-A,
6 the receiver shall assume all powers and duties of the chief
7 recovery officer and the board of school directors, including
8 all powers and duties of the board of school directors stated
9 in the financial recovery plan.

10 (2) Paragraph (1) shall not apply to the power to levy
11 and raise taxes. Such power shall remain solely with the
12 board of school directors, provided that the board of school
13 directors shall levy and raise taxes if directed to do so by
14 the receiver.

15 (3) The chief recovery officer appointed for the
16 financial recovery school district under section 631-A shall
17 remain in place as an advisor to the receiver.

18 (4) If the chief recovery officer appointed under
19 section 631-A is appointed as receiver by the court under
20 section 671-A, the secretary may appoint an individual to
21 replace the chief recovery officer, subject to section 631-
22 A(b).

23 (b) Powers and duties of the receiver.--In addition to the
24 powers assumed under subsection (a), a receiver appointed under
25 section 671-A shall have the following powers and duties,
26 notwithstanding any other provision of law to the contrary:

27 (1) Implement the financial recovery plan attached to
28 the petition filed under section 671-A(a).

29 (2) Submit quarterly reports to the secretary,
30 superintendent and board of school directors of the school
31 district concerning the progress of the school district under
32 the financial recovery plan. Where an advisory committee has
33 been established under section 654-A, the reports shall also
34 be submitted to the advisory committee. The reports shall be
35 posted on the school district's publicly accessible Internet
36 website.

37 (3) Direct employees and appointed officials of the
38 school district to take actions that, in the judgment of the
39 receiver, are necessary to implement the financial recovery
40 plan and to refrain from taking actions that, in the judgment
41 of the receiver, would impede the implementation of the plan.

42 (4) Direct the board of school directors to levy and
43 raise taxes.

44 (5) Modify the financial recovery plan as necessary to
45 restore the school district to financial stability by
46 submitting a petition to the court of common pleas. Within
47 seven days of the filing of the petition, the court of common
48 pleas shall issue a decision approving or disapproving the
49 petition. The court of common pleas shall approve the
50 modification, unless the court finds by clear and convincing
51 evidence that the modification is arbitrary, capricious or

1 wholly inadequate to restore the school district to financial
2 stability.

3 (6) Employ financial or legal experts the receiver deems
4 necessary to implement or modify the financial recovery plan.
5 Notwithstanding any law to the contrary, the employment of
6 such experts shall not be subject to contractual competitive
7 bidding procedures.

8 (7) Attend regular and executive sessions of the board
9 of school directors of the school district.

10 (8) Petition the court of common pleas in the county in
11 which the school district or the largest part in area of the
12 school district is located to issue a writ of mandamus upon
13 any employee or elected or appointed official of the school
14 district to secure compliance with a directive of the
15 receiver issued under paragraph (3) or (4). Within seven days
16 of the filing of the petition, the court shall grant the
17 relief requested if the court determines that the directive
18 is consistent with the financial recovery plan.

19 (9) Meet at least monthly with the advisory committee,
20 where an advisory committee has been established under
21 section 654-A.

22 (c) Prohibited activity.--Nothing in this subarticle or the
23 financial recovery plan shall be construed to authorize the
24 receiver to do any of the following:

25 (1) Unilaterally levy or raise taxes.

26 (2) Unilaterally abrogate, alter or otherwise interfere
27 with a lien, charge, covenant or relative priority that is:

28 (i) Held by a holder of a debt obligation of a
29 school district.

30 (ii) Granted by the contract, law, rule or
31 regulation governing the debt obligation.

32 (3) Unilaterally impair or modify existing bonds, notes,
33 school district securities or other lawful contractual or
34 legal obligations of the school district, except as otherwise
35 ordered by a court of competent jurisdiction or as provided
36 in section 642-A(a) (3) and (15).

37 Section 673-A. Effect of appointment of receiver.

38 (a) General rule.--The appointment of a receiver under this
39 subdivision shall have the effect of:

40 (1) Imposing on the employees and elected and appointed
41 officials of the school district a duty to comply with
42 directives of the receiver issued under section 672-A(b) (3)
43 or (4).

44 (2) Suspending the authority of the elected and
45 appointed officials of the school district to exercise power
46 on behalf of the school district pursuant to law, charter,
47 resolution, ordinance, rule or regulation, except as directed
48 by the receiver under section 672-A(b) (3) or (4).

49 (b) Form of government.--Appointment of a receiver under
50 this article shall not be construed to change the form of
51 government of the school district.

1 Section 674-A. Vacancy and revocation.

2 (a) General rule.--When a vacancy in the office of the
3 receiver occurs, the secretary shall file a petition with the
4 court of common pleas in the county in which the school district
5 or the largest part in area of the school district is located
6 requesting that the individual named in the petition be
7 appointed as receiver.

8 (b) Revocation.--The secretary may, for any reason, file a
9 petition with the court of common pleas in the county in which
10 the school district or the largest part in area of the school
11 district is located requesting that the appointment of the
12 receiver be revoked and that the current receiver be replaced by
13 the individual named in the petition.

14 (c) Requirements.--

15 (1) The requirements of section 671-A(c) shall apply to
16 the individual named in a petition filed under subsection (a)
17 or (b). Within seven days of the secretary's filing of a
18 petition under subsection (a) or (b), the court shall grant
19 the petition to appoint the named individual as receiver if
20 the individual satisfies the requirements of section
21 671-A(c).

22 (2) The court may not appoint anyone other than the
23 individual named in the petition as the receiver.

24 Section 675-A. Termination of receivership.

25 (a) Time.--Except as otherwise provided under subsection
26 (b), a receivership granted under section 671-A shall expire
27 three years after the initial appointment of the receiver under
28 section 671-A.

29 (b) Extension.--

30 (1) The secretary may petition the court of common pleas
31 in the county in which the school district or the largest
32 part in area of the school district is located for one or
33 more extensions of the receivership.

34 (2) The court shall grant each extension for another
35 three years unless the court finds by clear and convincing
36 evidence that the request for extension is arbitrary,
37 capricious or wholly irrelevant to restoring the school
38 district to financial stability.

39 Section 676-A. Transition period.

40 (a) Board resumes control.--Subject to the provisions of
41 subsections (b) and (c), after a receivership granted under
42 section 671-A expires according to the provisions of section
43 675-A, the following shall apply:

44 (1) The board of school directors shall resume full
45 control over school district management.

46 (2) The chief recovery officer and the department shall
47 oversee the board of school directors for five years to
48 ensure financial stability is maintained.

49 (b) Declaration of financial recovery status.--If, during
50 the transition period after the expiration of the receivership,
51 the board of school directors fails to maintain the objectives

1 stated in the financial recovery plan, the school district shall
2 be subject to a declaration of financial recovery status under
3 Subdivision (i).

4 (c) Oversight where municipalities financially distressed.--
5 Notwithstanding the provisions of subsection (a), the chief
6 recovery officer and the department shall oversee the board of
7 school directors of any school district formerly in receivership
8 under this subdivision for so long as any political subdivision
9 located within the school district is a financially distressed
10 municipality under the act of July 10, 1987 (P.L.246, No.47),
11 known as the Municipalities Financial Recovery Act, without
12 regard to whether the school district continues to maintain the
13 objectives stated in its financial recovery plan.

14 (vii) Financial Recovery
15 Transitional Loan Program

16 Section 681-A. Program.

17 (a) Establishment.--The Financial Recovery Transitional Loan
18 Program is established in the department under which the
19 department shall provide loans to school districts that satisfy
20 both of the following:

21 (1) The school district satisfies the criteria for a
22 declaration of financial recovery status under section 621-
23 A(a)(1)(i).

24 (2) The board of school directors has approved a
25 financial recovery plan under section 652-A(c) or 663-A(c).

26 (b) Nature of loans.--All loans granted by the department
27 shall be free from interest and shall be repayable according to
28 a covenant that states a schedule for repayment in specified
29 amounts and dates.

30 (c) Funding of loans.--All loans granted by the department
31 under this subdivision may be made from moneys in the account
32 established under subsection (d).

33 (d) Financial Recovery School District Transitional Loan
34 Account.--

35 (1) The Financial Recovery School District Transitional
36 Loan Account is established as a restricted account in the
37 department.

38 (2) The account may be funded by any annual
39 appropriation from the General Assembly for this program,
40 principal repayments on all loans made under this
41 subdivision, other funds not encumbered or committed from
42 appropriations for grants and subsidies made to the
43 department to assist school districts for the prior fiscal
44 year which are authorized for use by the General Assembly on
45 an annual basis and any interest earned on moneys in the
46 account.

47 (3) The moneys in the account may be used to make loans
48 under this subdivision.

49 (e) Eligibility and suspension of loan.--

50 (1) A school district that satisfies the criteria stated
51 in subsection (a) shall receive a loan under this subdivision

1 in the amount, and accessible over the term, stated in the
2 financial recovery plan approved by the secretary under
3 section 652-A(d)(2) or 663-A(d)(2) or ordered by the court
4 under section 671-A(g)(2)(vi).

5 (2) (i) Any loan granted under this subdivision to a
6 school district shall be suspended and immediately due
7 and payable if, in the judgment of the secretary, the
8 school district fails to take all actions necessary to
9 implement a financial recovery plan under section 653-
10 A(b) or 664-A(b) and is not progressing toward financial
11 stability.

12 (ii) Where the secretary determines to suspend a
13 loan under this paragraph, the secretary shall notify the
14 chair and minority chair of the Appropriations Committee
15 of the Senate, the chair and minority chair of the
16 Appropriations Committee of the House of Representatives,
17 the chair and minority chair of the Education Committee
18 of the Senate and the chair and minority chair of the
19 Education Committee of the House of Representatives.

20 (f) Voluntary agreement.--

21 (1) A school district that receives a loan under this
22 subdivision may enter into a voluntary agreement with one or
23 more charter schools in which students residing within the
24 school district are enrolled, which agreement provides that
25 the charter school may give the school district funds to
26 assist the school district in repayment of the loan.

27 (2) Any amount provided by the charter school under this
28 subsection shall be in an amount agreed upon by the charter
29 school and the school district.

30 Section 682-A. Loan procedure.

31 (a) General rule.--

32 (1) (i) The chief recovery officer of a school district
33 that is eligible for a loan under section 681-A(a) may
34 apply to the secretary for a loan on behalf of the school
35 district. The submission of a financial recovery plan to
36 the secretary under section 652-A(d) or 663-A(d) that
37 recommends the application for a loan under section 641-
38 A(4)(ii)(F) shall constitute an application to the
39 secretary for a loan under this subdivision.

40 (ii) If a receiver has been appointed for the school
41 district in accordance with section 671-A(a)(1)(iii), the
42 receiver may apply to the secretary for a loan on behalf
43 of the school district. The submission of a financial
44 recovery plan to the court under section 671-A(b) that
45 recommends the application for a loan pursuant to section
46 641-A(4)(ii)(F) shall constitute an application to the
47 secretary for a loan under this subdivision. Through an
48 order issued under section 671-A(g), the court shall
49 order the department to approve a loan to the school
50 district under this subdivision if the school district
51 satisfies the criteria stated in section 681-A(a).

1 (2) If a school district satisfies the criteria stated
2 in section 681-A(a), the secretary shall approve the
3 application and request the release of funds from the
4 Secretary of the Budget.

5 (b) Immediate emergencies.--

6 (1) Notwithstanding the requirements of section 681-
7 A(a), prior to a school district's approval of a financial
8 recovery plan, the chief recovery officer may apply to the
9 secretary for an expedited loan to immediately assist the
10 school district if the chief recovery officer verifies the
11 following upon reasonable belief:

12 (i) all steps have been taken to ensure only
13 critical payments have been made to maintain and continue
14 instruction of students enrolled in the school district;
15 and

16 (ii) either of the following exists:

17 (A) the school district is in imminent danger of
18 insolvency; or

19 (B) the school district may cease operations
20 within 30 days.

21 (2) (i) Upon receipt of an application under this
22 subsection, the secretary shall review all data
23 immediately available and shall determine whether a loan
24 is warranted.

25 (ii) If warranted, the secretary shall approve the
26 application and request the release of the funds from the
27 Secretary of the Budget. The secretary may impose such
28 terms and conditions on a loan approved under this
29 subsection as the secretary determines are necessary and
30 appropriate.

31 (iii) The secretary's determination under this
32 subsection is appealable under 2 Pa.C.S. (relating to
33 administrative law and procedure).

34 Section 683-A. Limitations.

35 (a) Use.--A loan to a school district under this subdivision
36 shall be used solely to implement the components of the
37 financial recovery plan, including the payment of current
38 expenses of the school district as identified in the financial
39 recovery plan.

40 (b) Local Government Unit Debt Act.--A loan to a school
41 district under this subdivision shall not be subject to, and
42 shall be subordinate to indebtedness incurred under, the
43 provisions of 53 Pa.C.S. Pt. VII Subpt. B (relating to
44 indebtedness and borrowing).

45 (c) Amount.--The aggregate amount of loans awarded to school
46 districts under this subdivision shall not at any time exceed
47 the amount in the Financial Recovery School District
48 Transitional Loan Account.

49 (d) Number of loans.--A school district eligible for a loan
50 under this subdivision shall receive a maximum of one loan per
51 fiscal year.

1 (e) Withholding not applicable.--A school district's failure
2 to make timely payment of principal on a loan issued under this
3 subdivision shall not subject the school district to withholding
4 of unpaid amounts from State appropriations under section 633.

5 (viii) Miscellaneous Provisions

6 Section 691-A. Applicability.

7 (a) General rule.--Except as otherwise provided in
8 subsection (b), nothing in this article is intended to limit or
9 otherwise abrogate the applicability of any other part of this
10 act.

11 (b) Conflict.--If there is a conflict between a provision of
12 this article and any other provision of this act or other State
13 law, the provision of this article shall prevail.

14 Section 692-A. Bankruptcy prohibited.

15 A school district may not file a municipal debt adjustment
16 action under the Bankruptcy Code (11 U.S.C. § 101 et seq).

17 Section 693-A. Termination of special board of control.

18 Where a school district is governed by a special board of
19 control under section 692 as of the effective date of this
20 section, the special board of control shall terminate
21 immediately upon the appointment of a chief recovery officer for
22 the school district as provided under section 631-A.

23 Section 11. Sections 907-A(b)(3) and 921-A(a.1) of the act,
24 amended or added June 30, 2011 (P.L.112, No.24), are amended to
25 read:

26 Section 907-A. Subsidies for Services.--* * *

27 (b) No later than February 1, 2012, and by February 1 of
28 each year thereafter, an intermediate unit shall submit to the
29 Department of Education a report on subsidies and funds received
30 in accordance with this section.

31 * * *

32 (3) The Department of Education shall post the reports
33 on its publicly accessible Internet website by March 1 of
34 each year.

35 * * *

36 Section 921-A. Financial Reports.--* * *

37 (a.1) [The] By March 1 of each year, the Department of
38 Education shall post on its publicly accessible Internet website
39 information included in the intermediate units' annual financial
40 reports. In posting the information, the Department of Education
41 shall use a format consistent with the format the Department of
42 Education uses when posting the annual financial report
43 information of other local education agencies.

44 * * *

45 Section 12. Section 1073 of the act, amended January 14,
46 1970 (1969 P.L.468, No.192) and January 16, 1974 (P.L.1, No.1),
47 is amended to read:

48 Section 1073. Manner of Election or Approval.--(a) The
49 board of school directors of each school district[, except in
50 school districts of the first class,] shall meet at its regular
51 place of meeting, during the last year of the term of the

1 district superintendent or at any other time when a vacancy
2 shall occur in the office of district superintendent, at an hour
3 previously fixed by the board. The secretary of each board of
4 school directors shall mail to each member thereof at least five
5 days beforehand, a notice of the time, place and purpose of such
6 meeting. At such meeting the board shall elect or approve a
7 properly qualified district superintendent to enter into a
8 contract to serve a term of [from] three to five years from the
9 first day of July next following his election or from a time
10 mutually agreed upon by the duly elected district superintendent
11 and the board of school directors. The contract shall be subject
12 to the act of February 14, 2008 (P.L.6, No.3), known as the
13 "Right-to-Know Law."

14 (b) At a regular meeting of the board of school directors
15 occurring at least one hundred fifty (150) days prior to the
16 expiration date of the term of office of the district
17 superintendent, the agenda shall include an item requiring
18 affirmative action by five or more members of the board of
19 school directors to notify the district superintendent that the
20 board intends to retain him for a further term of [from] three
21 (3) to five (5) years or that another or other candidates will
22 be considered for the office. In the event that the board fails
23 to take such action at a regular meeting of the board of school
24 directors occurring at least one hundred fifty (150) days prior
25 to the expiration date of the term of office of the district
26 superintendent, he shall continue in office for a further term
27 of similar length to that which he is serving.

28 (d) The term of office or commission of a district
29 superintendent or assistant district superintendent shall not be
30 shortened by reason of the fact that the district in which he
31 serves shall be come part of a joint school, or by reason of the
32 fact that the district in which he serves shall become a part of
33 a new school district established as the result of
34 reorganization of school districts pursuant to Article II.,
35 subdivision (i) or section 224 of this act. Any district
36 superintendent, assistant district superintendent or supervising
37 principal not selected as the district superintendent of the
38 joint school or newly established school district in which the
39 district he serves becomes a part shall be assigned to a
40 position or office for which he is eligible: Provided, however,
41 That in a new school district reorganized under Article II.,
42 subdivision (i) or section 224 of this act, he shall be assigned
43 to a position or office which is administrative or supervisory
44 in nature only, but there shall be no reduction in salary until
45 the expiration of his commission. Thereafter, unless elected to
46 an office requiring a commission he shall have the status of a
47 professional employe: Provided, That the board of school
48 directors may adjust the salary according to the classification
49 of the position to which he may be assigned, and that the period
50 of service as a commissioned district superintendent, assistant
51 district superintendent or associate superintendent shall be

1 counted as time served as a professional employee in determining
2 his seniority rights.

3 (e) The following shall apply:

4 (1) Notwithstanding any other provision of law, no
5 individual shall be employed as a district superintendent or
6 assistant district superintendent by a school district except
7 pursuant to a written contract of employment expressly stating
8 the terms and conditions of employment.

9 (2) A contract for the employment of a district
10 superintendent or assistant district superintendent shall do all
11 of the following:

12 (i) Contain the mutual and complete agreement between the
13 district superintendent or assistant district superintendent and
14 the board of school directors with respect to the terms and
15 conditions of employment.

16 (ii) Consistent with State Board of Education certification
17 requirements, specify the duties, responsibilities, job
18 description and performance expectations, including performance
19 standards and assessments provided for under section 1073.1.

20 (iii) Incorporate all provisions relating to compensation
21 and benefits to be paid to or on behalf of the district
22 superintendent or assistant district superintendent.

23 (iv) Specify the term of employment and state that the
24 contract shall terminate immediately, except as otherwise
25 provided under this section, upon the expiration of the term
26 unless the contract is allowed to renew automatically under
27 subsection (b).

28 (v) Specify the termination, buyout and severance
29 provisions, including all postemployment compensation and the
30 period of time in which the compensation shall be provided.
31 Termination, buyout and severance provisions may not be modified
32 during the course of the contract or in the event a contract is
33 terminated prematurely.

34 (vi) Contain provisions relating to outside work that may be
35 performed, if any.

36 (vii) State that any modification to the contract must be in
37 writing.

38 (viii) State that the contract shall be governed by the laws
39 of this Commonwealth.

40 (ix) Limit compensation for unused sick leave in new
41 employment contracts entered into after the effective date of
42 this subsection for district superintendents or assistant
43 district superintendents who have no prior experience as a
44 district superintendent or assistant district superintendent to
45 the maximum compensation for unused sick leave under the school
46 district's administrator compensation plan under section 1164 in
47 effect at the time of the contract.

48 (x) Limit transferred sick leave from previous employment to
49 not more than thirty (30) days in new employment contracts after
50 the effective date of this subsection for district
51 superintendents or assistant district superintendents who have

1 no prior experience as a district superintendent or assistant
2 district superintendent.

3 (xi) Specify postretirement benefits and the period of time
4 in which the benefits shall be provided.

5 (3) No agreement between the board of school directors and a
6 district superintendent or assistant district superintendent for
7 a negotiated severance of employment prior to the end of the
8 specified contract term shall provide for severance compensation
9 to the district superintendent or assistant district
10 superintendent, including the reasonable value of any noncash
11 severance benefits or postemployment benefits not otherwise
12 accruing under the contract or pursuant to law, that:

13 (i) If the agreement takes effect two (2) years or more
14 prior to the end of the specified contract term, exceeds the
15 equivalent of one (1) year's compensation and benefits otherwise
16 due under the contract.

17 (ii) If the agreement takes effect less than two (2) years
18 prior to the end of the specified contract term, exceeds the
19 equivalent of one-half of the total compensation and benefits
20 due under the contract for the remainder of the term.

21 Section 13. The act is amended by adding a section to read:

22 Section 1073.1. Performance Review.--(a) In addition to any
23 other requirements provided for under this act, the employment
24 contract for a district superintendent or assistant district
25 superintendent shall include objective performance standards
26 mutually agreed to in writing by the board of school directors
27 and the district superintendent or assistant district
28 superintendent. The objective performance standards may be based
29 upon the following:

30 (1) achievement of annual measurable objectives established
31 by the school district;

32 (2) achievement on Pennsylvania System of School Assessment
33 (PSSA) tests;

34 (3) achievement on Keystone Exams;

35 (4) student growth as measured by the Pennsylvania Value-
36 Added Assessment System;

37 (5) attrition rates or graduation rates;

38 (6) financial management standards;

39 (7) standards of operational excellence; or

40 (8) any additional criteria deemed relevant and mutually
41 agreed to by the board of school directors and the district
42 superintendent or assistant district superintendent.

43 (b) The board of school directors shall conduct a formal
44 written performance assessment of the district superintendent
45 and assistant district superintendent annually. A time frame for
46 the assessment shall be included in the contract.

47 (b.1) The board of school directors shall post the mutually
48 agreed to objective performance standards contained in the
49 contract on the school district's publicly accessible Internet
50 website. Upon completion of the annual performance assessment,
51 the board of school directors shall post the date of the

1 assessment and whether or not the district superintendent and
2 assistant district superintendent have met the agreed to
3 objective performance standards on the school district's
4 publicly accessible Internet website.

5 (c) The State Board of Education may promulgate regulations
6 pursuant to the act of June 25, 1982 (P.L.633, No.181), known as
7 the "Regulatory Review Act," in order to implement this section.

8 Section 14. Sections 1076 and 1077 of the act, amended
9 January 16, 1974 (P.L.1, No.1), are amended to read:

10 Section 1076. Election of Assistant District
11 Superintendents[, Except in Districts First Class].--[Except in
12 districts of the first class, assistant] Assistant district
13 superintendents shall be chosen by a majority vote of all the
14 members of the board of school directors of the district, for a
15 term of [from] three to five years upon the nomination by the
16 district superintendent.

17 Section 1077. Term and Salary of Assistants.--(a) Assistant
18 district superintendents may serve through the term of the
19 district superintendent, or enter a contract for a term of
20 [from] three to five years at salaries paid by the district, and
21 fixed by a majority vote of the whole board of school directors
22 prior to their election. The contract shall be subject to the
23 act of February 14, 2008 (P.L.6, No.3), known as the "Right-to-
24 Know Law."

25 (b) At a regular meeting of the board of school directors
26 occurring at least one hundred fifty (150) days prior to the
27 expiration date of the term of office of the assistant district
28 superintendent, the agenda shall include an item requiring
29 affirmative action by five (5) or more members of the board of
30 school directors to notify the assistant district superintendent
31 that the board intends to retain him for a further term of
32 [from] three (3) to five (5) years or that another or other
33 candidates will be considered for the office. In the event that
34 the board fails to take such action at a regular meeting of the
35 board of school directors occurring at least one hundred fifty
36 (150) days prior to the expiration date of the term of office of
37 the assistant district superintendent, he shall continue in
38 office for a further term of similar length to that which he is
39 serving.

40 Section 15. Section 1078 of the act, amended January 14,
41 1970 (1969 P.L.468, No.192), is amended to read:

42 Section 1078. Commissions.--District superintendents and
43 assistant district superintendents shall be commissioned by the
44 [Superintendent of Public Instruction] Secretary of Education.

45 Section 16. Section 1080 of the act is amended to read:

46 Section 1080. Removal.--(a) District superintendents and
47 assistant district superintendents may be removed from office
48 and have their contracts terminated, after hearing, by a
49 majority vote of the board of school directors of the district,
50 for neglect of duty, incompetency, intemperance, or immorality,
51 of which hearing notice of at least one week has been sent by

1 mail to the accused, as well as to each member of the board of
2 school directors.

3 (b) The board of school directors shall publicly disclose at
4 the next regularly scheduled monthly meeting the removal of a
5 district superintendent or assistant district superintendent
6 from office under subsection (a).

7 (c) Proceedings under this section shall be held under 2
8 Pa.C.S. Ch. 5 Subch. B (relating to practice and procedure of
9 local agencies).

10 Section 17. Section 1607(b)(1) of the act, amended November
11 23, 2010 (P.L.1350, No.123), is amended to read:

12 Section 1607. Attendance in Other Districts.--* * *

13 (b) If a third class school district operating under a
14 special board of control pursuant to section 692 has, with the
15 approval of the Secretary of Education, curtailed its
16 educational program by eliminating its high school and has not
17 assigned its high school pupils to another school district and
18 provided adequate transportation in a manner under subsection
19 (a), the secretary shall have the following authority:

20 (1) To designate two or more school districts, which shall
21 accept on a tuition basis the high school students of the
22 distressed school district, so long as a designated school
23 district's border is no more than three (3) miles from the
24 border of the distressed school district. The designation under
25 this paragraph shall occur no later than thirty (30) days after
26 receiving the approval of the secretary to curtail its
27 educational program by the elimination of its high school,
28 provided, however, that if any school district meets the
29 criteria of this subsection on the effective date of this
30 subsection, the designation of school districts shall occur no
31 later than thirty (30) days after the effective date of this
32 subsection. [No designated school district shall be assigned
33 more than one hundred sixty-five (165) students from the
34 distressed school district.]

35 * * *

36 Amend Bill, page 5, line 18, by striking out "5" and
37 inserting

38 18

39 Amend Bill, page 5, line 18, by striking out "SECTIONS" and
40 inserting

41 a section

42 Amend Bill, page 5, line 30; page 6, lines 1 through 30; page
43 7, lines 1 through 3, by striking out all of said lines on said
44 pages and inserting

1 Section 19. Section 2104 of the act is amended to read:

2 Section 2104. Superintendents of Schools or Buildings and of
3 Supplies.--The board of public education in each school district
4 of the first class shall, whenever a vacancy in said office
5 shall occur, appoint a district superintendent, who shall be
6 designated and known as superintendent of schools[, for a term
7 of not more than six (6) years]. The board may also appoint a
8 superintendent of buildings and a superintendent of supplies.
9 The board shall prescribe the terms and duties and fix the
10 salaries of each of such employes. They shall be responsible to
11 the board for the conduct of their respective departments, shall
12 make annual reports to the board, and shall from time to time
13 submit such plans and suggestions for the improvement of the
14 schools and the school system as they shall deem expedient or as
15 the board of public education may require.

16 The superintendent of buildings shall be an engineer or
17 architect of good standing in his profession. The superintendent
18 of buildings and the superintendent of supplies shall each give
19 such security for the faithful performance of the duties of
20 their respective offices as the board of public education shall
21 prescribe.

22 Section 20. The amendment or addition of sections 1073,
23 1073.1, 1076, 1077, 1078 and 1080 of the act shall apply to
24 contracts of district superintendents or assistant district
25 superintendents entered into or renewed on or after the
26 effective date of this section.

27 Section 21. The provisions of Article VI-A of the act are
28 severable. If any provision of that article or its application
29 to any person or circumstance is held invalid, the invalidity
30 shall not affect other provisions or applications of that
31 article which can be given effect without the invalid provision
32 or application.

33 Section 22. This act shall take effect as follows:

34 (1) The amendment or repeal of sections 691, 692, 692.1,
35 692.2, 693, 694 and 695 of the act shall take effect in 180
36 days.

37 (2) The amendment or addition of sections 696, 907-A,
38 914-A, 921-A, 1073, 1073.1, 1076, 1077, 1078, 1080, 1616 and
39 2104 of the act shall take effect in 60 days.

40 (3) The remainder of this act shall take effect
41 immediately.

LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO AMENDMENT A010521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 37, by inserting between lines 22 and

2 23

3 Section 694-A. Attendance in another district.

4 Where a recovery plan under this article calls for students

5 to attend a school district other than the resident school

6 district and the receiving school district is receiving tuition

7 payments from the resident school district, the receiving school

8 district shall accept the student for attendance.

LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO AMENDMENT A10521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 37, by inserting between lines 22 and

2 23

3 Section 694-A. Privatization savings.

4 (a) Qualification of operator.--Any services that are to be
5 provided to a school or school district under this article by a
6 private entity through a contract shall only be performed by an
7 operator that has a history of providing educational services at
8 a cost savings to the taxpayers.

9 (b) Duties of operator.--Any operator shall provide to the
10 school board, the receiver and the department:

11 (1) Documentation that has shown the ability of the
12 operator to provide savings to the school district.

13 (2) Its proposed budget for five years that demonstrates
14 continued cost savings.

15 (c) Penalty.--Where the operator is not able to produce the
16 savings represented in its proposed budget, the operator shall
17 pay to the school district 150% of the amount over budget.

LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO AMENDMENT A10521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 37, by inserting between lines 22 and

2 23

3 Section 694-A. Funding fairness.

4 Any district subject to this article shall be funded at the
5 level of funding it received from the fiscal year 2010-2011. The
6 difference in the amount received for the current year and the
7 amount received during the fiscal year 2010-2011 shall be paid
8 by the department to the school district.

LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO AMENDMENT A10521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 37, by inserting between lines 22 and

2 23

3 Section 694-A. Grants.

4 (a) General rule.--Grants shall be allocated to a school
5 district that is under a declaration of financial recovery by
6 the department from funds appropriated for this purpose. The
7 amount of the grant for each school district shall be determined
8 by:

9 (1) Multiplying the most recent available figure for
10 current expenditures by the school district by the market
11 value/personal income aid ratio for that district for the
12 fiscal year, to determine the district's aid ratio State
13 share of current expenditures.

14 (2) Calculating the amount of revenue the district
15 received from the State in that fiscal year less the amount
16 of reimbursement for authority rentals and sinking funds to
17 determine the district's actual State share of current
18 expenditures.

19 (3) Finding the difference, if greater than zero,
20 between the district's aid ratio State share of current
21 expenditures calculated in paragraph (1) and the district's
22 actual State share of current expenditures calculated in
23 paragraph (2).

24 (b) Duration.--A district receiving a grant under this
25 section shall continue to receive a grant for as long as the
26 district is under a declaration of financial recovery and for
27 three years after the termination of receivership.

AMENDMENTS TO AMENDMENT A10521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 37, by inserting between lines 22 and

2 23

3 Section 694-A. Best management practices review.

4 The chief recovery officer shall conduct a school management
5 review against the following standards:

6 (1) The district's financial condition and resources are
7 effectively overseen. Indicators of compliance include:

8 (i) School board members receive training in school
9 district budgeting and finance.

10 (ii) The school board is provided a proposed budget
11 in a clear, concise and understandable format.

12 (iii) The school board is informed about short-term
13 and long-term fiscal implications and impact on the fund
14 balance of proposed budgets and budget amendments.

15 (iv) The school board and district management
16 receive, review and make available to the public monthly
17 and annual financial reports. The reports contain monthly
18 and year-to-date budgeted amounts as compared to the
19 actual amounts expended. The reports also include other
20 financial information that effectively summarizes the
21 district's financial operations and financial condition
22 in a clear, concise and understandable format.

23 (v) The school board is informed in a timely manner
24 by district administrators of changes in or concerns
25 about the district's financial condition.

26 (vi) The school board has established policies for
27 spending authority and purchasing practices.

28 (vii) The district pursues alternative revenue
29 sources such as partnering options and obtaining private,
30 Federal and State grants.

31 (viii) The district takes advantage of opportunities
32 to improve management structures, minimize costs and
33 increase effectiveness and efficiency.

34 (2) The district reviews the structure, staffing and
35 procedures governing its financial operations to ensure
36 effective and efficient delivery of financial management
37 systems. Indicators of compliance include:

38 (i) The financial staff receives appropriate

1 training and professional development.

2 (ii) The district adheres to the Manual of
3 Accounting and Financial Reporting for Pennsylvania
4 Public Schools.

5 (iii) The district has established and periodically
6 reviews internal controls.

7 (3) The district has adequate financial information and
8 subsidy-related data systems that provide useful, timely and
9 accurate information. Indicators of compliance include:

10 (i) The financial accounting system has integrated
11 financial software components that minimize manual
12 processes.

13 (ii) The district staff analyzes financial
14 accounting and reporting procedures to minimize or
15 eliminate duplication of effort.

16 (iii) The accounting system facilitates accounting
17 for restricted sources of funds through fund, grant or
18 project accounting.

19 (iv) The district provides timely and accurate data
20 for use in subsidy-related calculations.

21 (v) The district analyzes expenditures for control
22 and reviews unusual fluctuations.

23 (4) The district develops and adopts an annual budget
24 that supports the strategic plan and provides useful and
25 understandable information to stakeholders. Indicators of
26 compliance include:

27 (i) The district uses appropriate revenue-estimating
28 practices when developing budget sources for
29 appropriations.

30 (ii) The district has established a budget planning
31 process and timeline that is clearly communicated to all
32 of the involved stakeholders.

33 (iii) The district has established guidelines for
34 maintaining appropriate levels of unreserved fund
35 balances.

36 (iv) The district has a process for funding
37 activities and projects that meet strategic plan
38 objectives.

39 (v) The district has established appropriate
40 procedures for adopting budget amendments.

41 (5) The district undergoes an annual external audit and
42 uses the audit to improve its operations in a timely and
43 appropriate manner. Indicators of compliance include:

44 (i) The district ensures that required information
45 is available in a timely manner to complete the
46 district's audit.

47 (ii) The district responds to audit comments in a
48 timely and appropriate manner.

49 (6) The district has policies and procedures for cash
50 management and investment activities. Indicators of
51 compliance include:

1 (i) The district has appropriate policies and
2 procedures for cash management, maintains its cash
3 deposits in qualified public depositories and has cash-
4 forecasting processes that ensure adequate liquidity
5 throughout the year.

6 (ii) The district has appropriate policies and
7 procedures for the investment of public funds that in
8 part address risk level versus expected return and
9 periodically reports to the school board the results of
10 its investing activity.

11 (7) The district has policies and procedures for
12 effective management of capital assets. Indicators of
13 compliance include:

14 (i) The district has implemented procedures to
15 ensure purchases are capitalized in accordance with
16 established capital asset thresholds.

17 (ii) The district maintains detailed subsidiary
18 records of capital assets.

19 (iii) The district physically safeguards and
20 periodically inventories capital assets.

21 (8) The district has policies and procedures for
22 effective debt management. Indicators of compliance include:

23 (i) The district tracks debt service requirements
24 and ensures timely payment.

25 (ii) The district complies with debt service
26 financial reporting requirements in a timely manner.

27 (iii) The district evaluates debt capacity prior to
28 issuing debt.

29 (iv) The district complies with all relevant laws in
30 issuing debt.

31 (v) The district evaluates the advantages and
32 disadvantages of various financing alternatives when
33 acquiring major capital assets.

34 (9) The district has policies and procedures to ensure
35 compliance with applicable laws and regulations concerning
36 effective risk management. Indicators of compliance include:

37 (i) The district has adequate insurance coverage and
38 analyzes current insurance plans, including deductible
39 amounts, coinsurance levels and types of coverage
40 provided.

41 (ii) The district has procedures to evaluate and
42 identify relevant risk exposure and provides for a
43 comprehensive approach to reducing the potential loss.

44 (iii) The district periodically analyzes
45 alternatives for providing insurance coverage.

46 (10) The district has established policies and
47 procedures to take full advantage of competitive bidding,
48 volume discounts and special pricing agreements. Indicators
49 of compliance include:

50 (i) The district conducts its purchasing program in
51 accordance with established policies.

1 (ii) The district periodically evaluates purchasing
2 practices to maximize the cost effectiveness of the
3 purchasing funding.

4 (iii) The district utilizes the procedures outlining
5 the preparation and processing of purchases.

6 (iv) The district utilizes competitive bidding as
7 required by statutes, regulations and standards.

8 (v) The district has established a policy to govern
9 the acceptance of gifts and gratuities by staff and board
10 members.

11 (11) The district has policies and procedures to provide
12 for the effective management of inventories of supplies and
13 equipment. Indicators of compliance include:

14 (i) The district has an effective method of
15 monitoring usage of its inventories.

16 (ii) The district consistently monitors usage of its
17 inventories.

18 (iii) Inventory storage areas are reasonably
19 safeguarded to prevent unauthorized access and protect
20 inventory items from physical deterioration.

21 (iv) The district periodically identifies and
22 evaluates the cost to maintain inventories.

AMENDMENTS TO AMENDMENT A010521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendment, page 18, by inserting between lines 22 and

2 23

3 (iv) A school building may be converted into a
4 charter school only by an operator who:

5 (A) Possesses tax exempt status under section
6 501(c)(3) of the Internal Revenue Code of 1986
7 (Public Law 99-514, 26 U.S.C. § 501(c)(3)).

8 (B) Has a history of providing educational
9 services at a level of achievement above the level
10 that the district has been providing, subject to the
11 following:

12 (I) The operator must provide to the school
13 board, the receiver and the department
14 documentation that has shown the ability of the
15 operator to provide academic achievement gains to
16 the school district.

17 (II) The operator must provide to the school
18 board, the receiver and the department its
19 proposed gains in academic achievement over a
20 five-year period that demonstrate measurable
21 academic gains.

22 (III) Where the operator is unable to
23 deliver the academic gains it proposed, the
24 operator must pay to the school district 50% of
25 the revenue it has received in its last year of
26 operation.

27 (C) Has a history of providing educational
28 services at a cost savings to the taxpayers, subject
29 to the following:

30 (I) The operator must provide to the school
31 board, the receiver and the department
32 documentation that has shown the ability of the
33 operator to provide savings to the school
34 district.

35 (II) The operator must provide to the school
36 board, the receiver and the department its
37 proposed budget for five years that demonstrates
38 continued cost savings.

39 (III) Where the operator is unable to
40 deliver the savings promised in its proposed
41 budget, the operator must pay to the school
42 district 150% of the amount over budget.

43 (v) The operator of a school building that has been

1 converted to a charter school shall not make any payment
2 to a management company that exceeds 5% of its per pupil
3 cost.

DO NOT PRINT THIS PAGE

AMENDMENTS TO AMENDMENT A10521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 1, line 2, by inserting before "in"
2 in preliminary provisions, providing for academic performance
3 and staffing of schools;

4 Amend Amendments, page 1, lines 26 through 28, by striking
5 out all of said lines and inserting

6 Section 1. The act of March 10, 1949 (P.L. 30, No 14), known
7 as the Public School Code, is amended by adding a section to
8 read:

9 Section 120. Academic Performance and Staffing of Schools.--

10 (a) Where a school in a school district has fifty (50%) per
11 centum or fewer of its students scoring proficient or above in
12 math or fifty (50%) per centum or fewer of its students scoring
13 proficient or above in reading on the assessment administered in
14 the most recent school year, the school district shall
15 reconstitute the school, including administrators, teachers and
16 other instructional staff, with employees based on a proven
17 record of academic achievement.

18 (b) Academic achievement shall be determined by criteria
19 established by the Department of Education and shall include
20 teacher and administrator evaluations utilizing student
21 performance, school safety measures and other criteria deemed
22 appropriate by the Department of Education.

23 (c) For the purposes of this section, "assessment" shall mean
24 the Pennsylvania System of School Assessment test, the Keystone
25 exam, an equivalent local assessment or another test established
26 by the State Board of Education to meet the requirements of
27 section 2603-B(d)(10)(I) and required under the No Child Left
28 Behind Act of 2001 (Public Law 107-110, 115 Stat. 1425) or any
29 other test required to achieve other standards established by
30 the Department of Education for a school district under 22
31 Pa.Code section 403.3 (relating to single accountability
32 system).

33 Section 1.1. Section 501 of the act is amended to read:

LEGISLATIVE DOCUMENTS

AMENDMENTS TO AMENDMENT A10521 TO HOUSE BILL NO. 1307

Sponsor:

Printer's No. 2191

1 Amend Amendments, page 15, line 15, by removing the period
2 after "district" and inserting
3 subject to the following provisions:

4 (i) Where a school within the school district has
5 50% or fewer of its students scoring proficient or above
6 in math or 50% or fewer of its students scoring
7 proficient or above in reading on the assessment
8 administered in the most recent school year, the plan
9 shall also require the chief recovery officer to
10 reconstitute such school, including administrators,
11 teachers and other instructional staff, with employees
12 based on a proven record of academic achievement.

13 (ii) Academic achievement shall be determined by
14 criteria established by the department and shall include
15 teacher and administrator evaluations utilizing student
16 performance, school safety measures and other criteria
17 deemed appropriate by the department. The department
18 shall develop such criteria within 60 days of the
19 effective date of this section.

20 (iii) For the purposes of this subclause only,
21 "assessment" shall mean the Pennsylvania System of School
22 Assessment test, the Keystone exam, an equivalent local
23 assessment or another test established by the State Board
24 of Education to meet the requirements of section 2603-
25 B(d)(10)(I) and required under the No Child Left Behind
26 Act of 2001 (Public Law 107-110, 115 Stat. 1425) or its
27 successor statute or any other test required to achieve
28 other standards established by the department for a
29 school district under 22 Pa. Code § 403.3 (relating to
30 single accountability system).