

STATEMENTS OF POLICY

Title 4—ADMINISTRATION

PART II. EXECUTIVE BOARD

[4 PA. CODE CH. 9]

Reorganization of the Department of Labor and Industry

The Executive Board approved a reorganization of the Department of Labor and Industry effective August 17, 2012.

The organization chart at 42 Pa.B. 5748 (September 8, 2012) is published at the request of the Joint Committee on Documents under 1 Pa. Code § 3.1(a)(9) (relating to contents of *Code*).

(Editor's Note: The Joint Committee on Documents has found organization charts to be general and permanent in nature. This document meets the criteria of 45 Pa.C.S. § 702(7) (relating to contents of Pennsylvania Code) as a document general and permanent in nature which shall be codified in the Pennsylvania Code.)

[Pa.B. Doc. No. 12-1735. Filed for public inspection September 7, 2012, 9:00 a.m.]

Title 4—ADMINISTRATION

PART II. EXECUTIVE BOARD

[4 PA. CODE CH. 9]

Reorganization of the Governor's Office of Administration

The Executive Board approved a reorganization of the Governor's Office of Administration effective August 17, 2012.

The organization chart at 42 Pa.B. 5751 (September 8, 2012) is published at the request of the Joint Committee on Documents under 1 Pa. Code § 3.1(a)(9) (relating to contents of *Code*).

(Editor's Note: The Joint Committee on Documents has found organization charts to be general and permanent in nature. This document meets the criteria of 45 Pa.C.S. § 702(7) (relating to contents of Pennsylvania Code) as a document general and permanent in nature which shall be codified in the Pennsylvania Code.)

[Pa.B. Doc. No. 12-1737. Filed for public inspection September 7, 2012, 9:00 a.m.]

Title 4—ADMINISTRATION

PART II. EXECUTIVE BOARD

[4 PA. CODE CH. 9]

Reorganization of the Department of Public Welfare

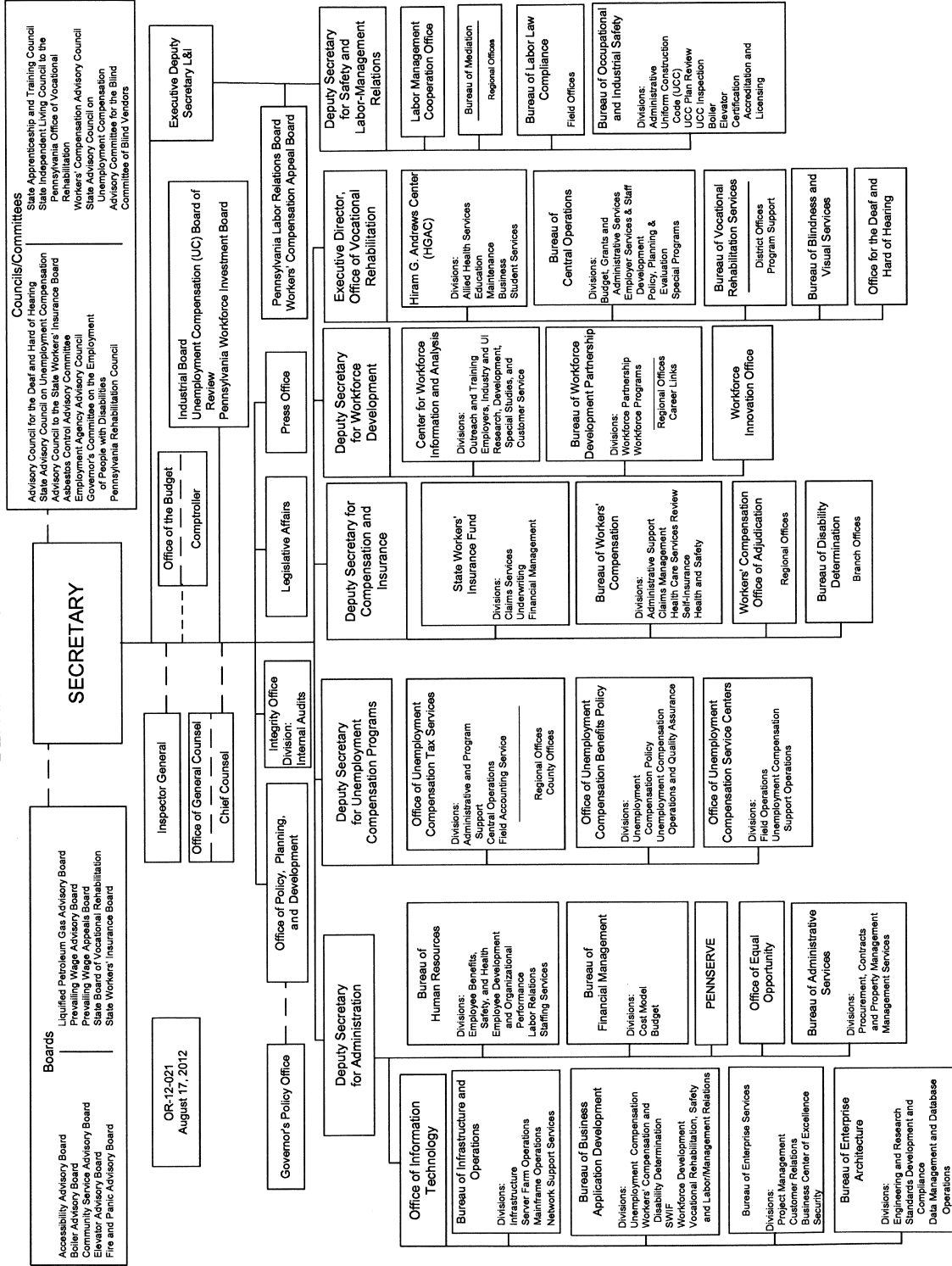
The Executive Board approved a reorganization of the Department of Public Welfare effective August 17, 2012.

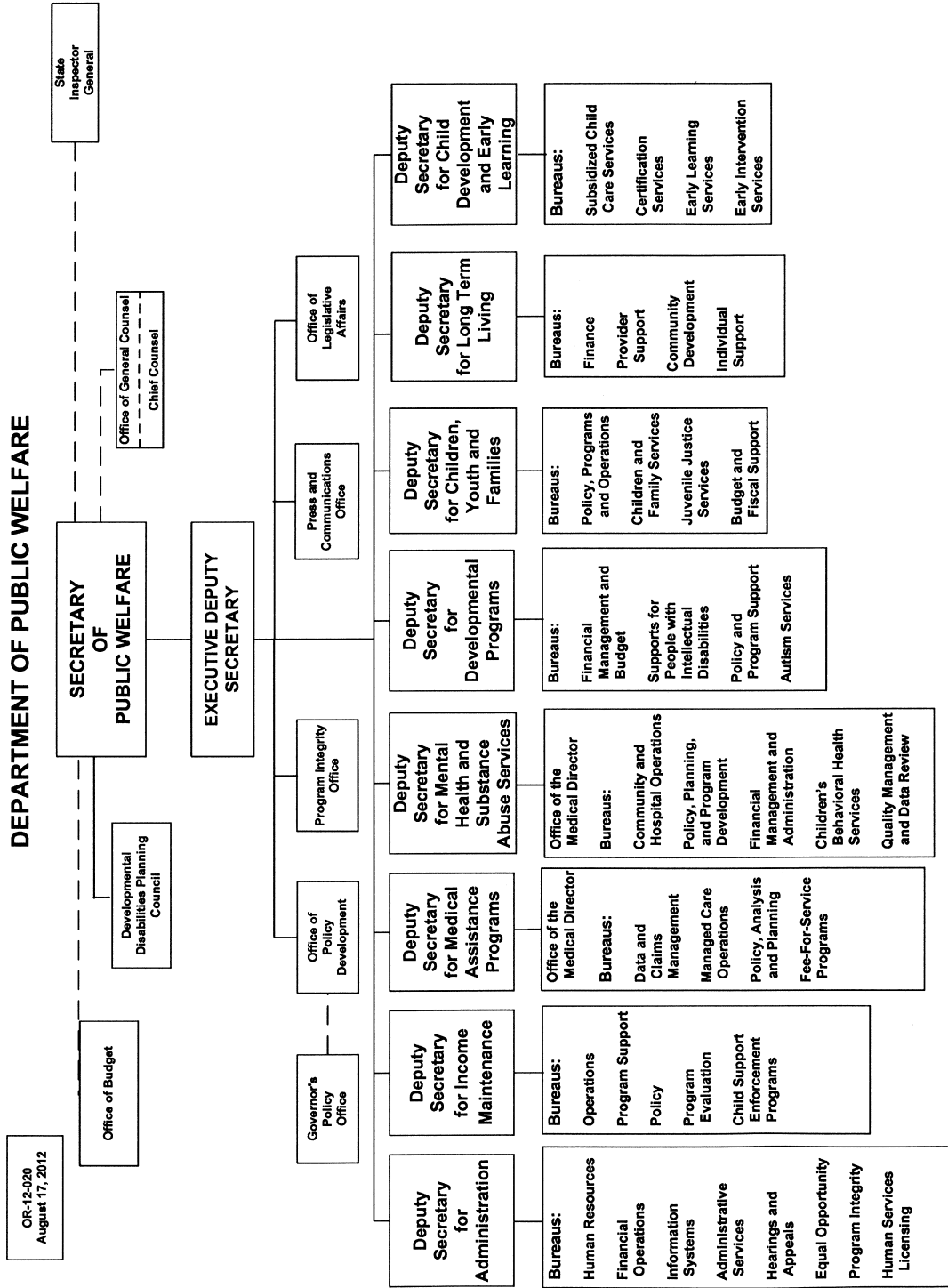
The organization chart at 42 Pa.B. 5749, 5750 (September 8, 2012) is published at the request of the Joint Committee on Documents under 1 Pa. Code § 3.1(a)(9) (relating to contents of *Code*).

(Editor's Note: The Joint Committee on Documents has found organization charts to be general and permanent in nature. This document meets the criteria of 45 Pa.C.S. § 702(7) (relating to contents of Pennsylvania Code) as a document general and permanent in nature which shall be codified in the Pennsylvania Code.)

[Pa.B. Doc. No. 12-1736. Filed for public inspection September 7, 2012, 9:00 a.m.]

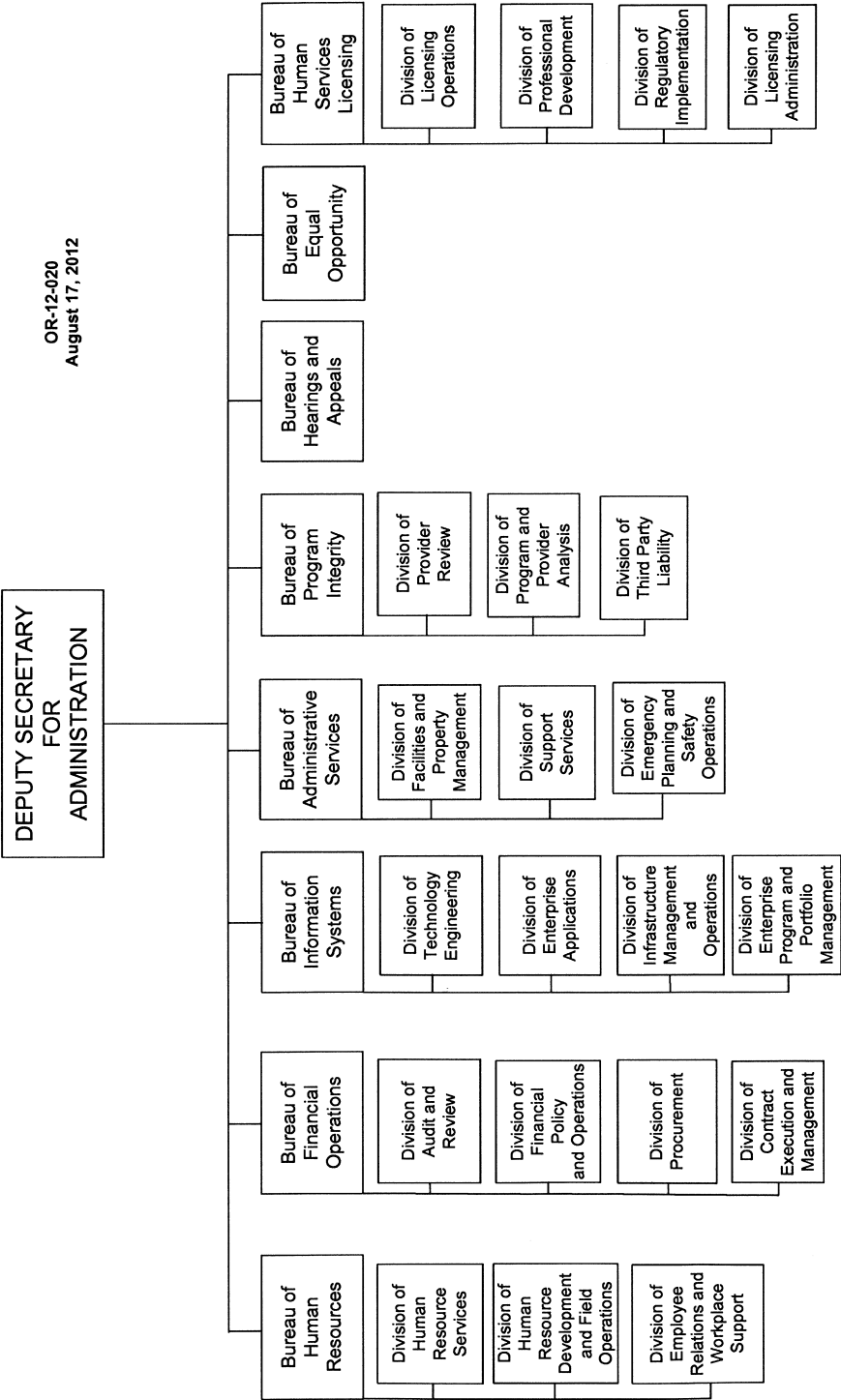
DEPARTMENT OF LABOR AND INDUSTRY

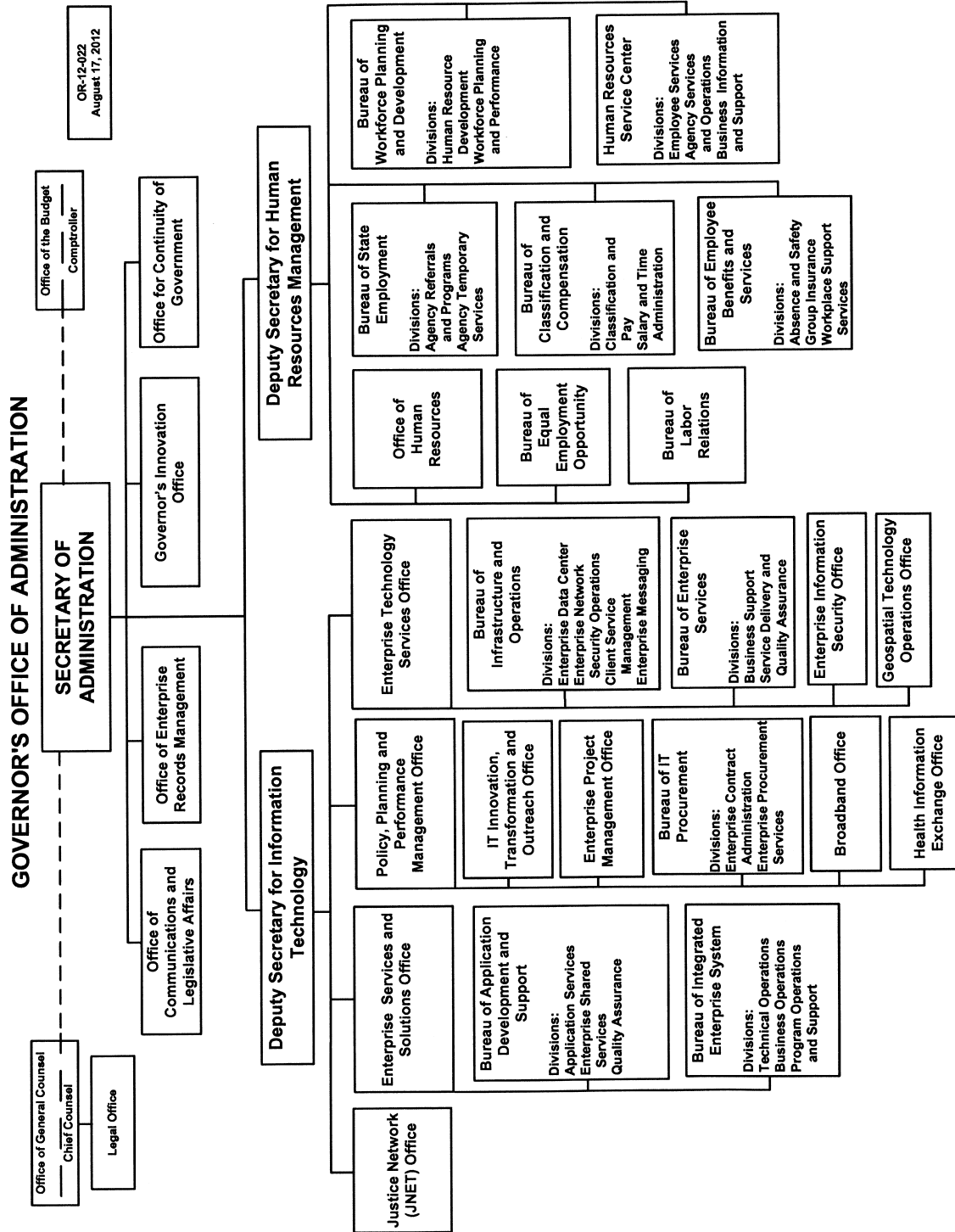




OR-12-020
August 17, 2012

DEPARTMENT OF PUBLIC WELFARE
DEPUTY SECRETARY FOR ADMINISTRATION





OR-12-022
August 17, 2012

Title 22—EDUCATION

DEPARTMENT OF EDUCATION

[22 PA. CODE CH. 731]

Early Warning System

Under section 611-A(c)(1) of the Public School Code of 1949 (code) (24 P.S. § 6-611-A(c)(1)), the Secretary of Education is required to “establish guidelines for the operation of the early warning system established under this section, including a description of the variables that will be used by the department to identify school districts in financial watch status”

The principal goal of Chapter 731 (relating to Early Warning System—statement of policy) is to identify and provide technical assistance to school districts to prevent them from becoming Financial Recovery Status school districts under Article VI-A(c) of the code (24 P.S. §§ 6-621-A—6-693-A).

Chapter 731 is effective upon publication in the *Pennsylvania Bulletin*.

RONALD J. TOMALIS,
Secretary

(Editor’s Note: Title 22 of the *Pennsylvania Code* is amended by adding statements of policy in §§ 731.1 and 731.2 to read as set forth in Annex A.)

Fiscal Note: 6-327. (1) General Fund; (2) Implementing Year 2012-13 is \$220,000; (3) 1st Succeeding Year 2013-14 is \$341,400; 2nd Succeeding Year 2014-15 is \$442,642; 3rd Succeeding Year 2015-16 is \$443,922; 4th Succeeding Year 2016-17 is \$445,240; (4) 2011-12 Program—\$4,500,000; 2010-11 Program—\$4,500,000; 2009-10 Program—\$4,500,000; (7) Empowerment School Districts; (8) recommends adoption. The costs associated with the Early Warning System are included in and will be paid from the Empowerment School Districts appropriation.

Annex A

TITLE 22. EDUCATION

PART XXII. EARLY WARNING SYSTEM

Chap.
731. EARLY WARNING SYSTEM—STATEMENT OF POLICY

CHAPTER 731. EARLY WARNING SYSTEM—STATEMENT OF POLICY

Sec.
731.1. Technical assistance.
731.2. Early Warning System.

§ 731.1. Technical assistance.

The Department of Education will follow the process outlined as follows in identifying, notifying and providing technical assistance to school districts:

(1) Compile and maintain data and current information on the financial condition of school districts.

(2) Regularly analyze the financial condition of school districts.

(3) Identify school districts potentially subject to being identified as in financial watch status and therefore eligible to receive technical assistance from the Department.

(i) Level 1 Analysis—Early Warning System Components.

(ii) Level 2 Analysis—School district-provided current financial data.

(iii) Level 3 Analysis—Determination of financial watch status.

(4) Officially notify school districts in financial watch status and request additional information, if necessary, to conduct reviews of the financial condition of school districts.

(5) Provide technical assistance to school districts in financial watch status.

§ 731.2. Early Warning System.

Following are the guidelines of the Early Warning System.

I. Level 1 Analysis—Early Warning System Components

The Department will consider Budget and Other Financial Data, Additional Data relevant to financial condition, including Fiscal Measures and Socioeconomic Data, Act 47 Status of the host municipality, and Factors for Financial Recovery Status as part of the early warning system.

The variables below were tested for validity and reliability by applying an examination of the criteria to school districts across the Commonwealth. The Department will continuously monitor the variables to assure their effectiveness.

A. Budget and other financial data

Components in this level will be calculated from the most recent school district-reported data submitted to the Pennsylvania Department of Education on the Annual Financial Report. The Department will analyze and compile and review this data to identify trends which may indicate challenging financial circumstances and/or a troubling financial outlook for a school district.

The following components will be considered in this initial analysis: Fund Balance Ratio, Borrowing Base Capacity, and Debt Ratio. A Basic Education Funding advance or a bond intercept payment may also be considered in the initial analysis.

1. *Fund Balance Ratio.* Fund balance ratio indicates how much cash the school district has on hand in the event that an unanticipated need arises. A higher fund balance ratio indicates a greater ability to meet fiscal obligations. The fund balance ratio will be calculated by: a school district’s total assets minus its total liabilities divided by the total general fund expenditures.

2. *Borrowing Base Capacity Available.* Borrowing base capacity indicates to what extent a school district, according to law, can incur additional debt. A higher borrowing base capacity available indicates a greater ability to borrow more money. The borrowing base capacity will be calculated by: a school district’s total debt that can be incurred minus the total outstanding debt, divided by the total amount of debt that can be incurred, according to the Local Government Unit Debt Act (LGUDA).

3. *Debt Ratio.* Debt ratio can be used to determine the school district’s ability to be approved to add additional debt. A lower debt ratio indicates increased ability to incur more debt. Debt ratio will be calculated by: a school district’s total debt service payments divided by total expenditures (for all funds). A three-year average will be used.

4. *Advance BEF/Basic Education Funding.* BEF allocation payment made, pursuant to School Code section 2517(e), in advance of the dates set forth in section 2517(c) may indicate a decreased ability to meet fiscal obligations. Basic Education Funding advances may be a

warning sign that a school district is experiencing difficulty managing its cash flow.

5. *Bond Intercept.* An agreement entered into between a school district, the Department of Education and a bond trustee to have the Department make bond payments directly to a trustee via deduction from the school district's subsidies. Bond intercept payments may indicate decreased ability to meet fiscal obligations.

B. Additional data relevant to financial condition

1. *Fiscal measures and socioeconomic data.* The following other fiscal and socioeconomic components will be analyzed: Market Value/MV/Personal Income (PI) Aid Ratio, Equalized Mills and School Tax Ratio.

a. *Market Value (MV)/Personal Income (PI) Aid Ratio.* A school district's combined market value (MV) and personal income (PI) wealth for each resident student as compared to the state average. The lower the MV/PI Aid Ratio, the less dependent the school district is on state funding. Market value/personal income aid ratio demonstrates the financial "wealth" of a school district.

b. *Equalized Mills.* A school district's total taxes collected divided by its taxable market value as certified by the State Tax Equalization Board. A higher equalized mills ranking indicates a greater taxation effort on the part of taxpayers when compared to other school districts. High equalized mills indicate a decreased ability to raise additional funds via taxes. Equalized mills compare the property tax burden in the school district against all other school districts in Pennsylvania. This indicator shows, in relative terms, how this school district's tax burden is ranked based on property values.

c. *School Tax Ratio.* A school district's total taxes collected divided by the personal income of its resident taxpayers. A higher school tax ratio indicates a greater taxation effort on the part of taxpayers when compared to other school districts. High school tax ratio indicates a decreased ability to raise additional funds via taxes. School tax ratio compares the personal income tax burden in the school district against all other school districts in Pennsylvania. This indicator puts, in relative terms, how this school district's tax burden is ranked based on personal income.

2. *Act 47 status.* The Department will also consider whether any political subdivision located within the school district is declared as financially distressed by the Pennsylvania Department of Community and Economic Development under the Financially Distressed Municipalities Act (Act of 1987, P. L. 246, No. 47), also known as Act 47.

3. *Factors for financial recovery status.* The Department may include in its analysis of early warning system components the factors the Secretary may consider in determining whether to issue a declaration that a school district is in financial recovery status pursuant to section 621-A(a)(2)(l) of the School District Financial Recovery Act.

II. Level 2 Analysis—School district-provided current financial data

A. Upon completion of the Level 1 analysis, the Department will determine if a school district may be experiencing financial difficulty. Affected school districts will be contacted by the Department and will be asked to provide additional, current information about their financial status. The Department may require information including, but not limited to:

1. Current Budget
2. Cash Flow analysis
3. Fund balances
4. Status of audits

Per the timeline in Act 141, a school district will have 15 days to respond to the Department's request.

B. Upon receipt of the additional financial data, the Department will, working directly with the school district, ensure the accuracy and timeliness of the data, analyze the data, and share the results of the analysis with the school district superintendent.

C. As part of the information gathering process, the Department may consult with and interview school district officials as needed.

III. Level 3 Analysis—Determination of Financial Watch Status

A. Based on the Department's analysis of Level 1 and Level 2 information, the Department may decide to monitor the school district or designate the school district as being in financial watch status.

B. *Notification*—The Department will notify the school district, including the superintendent, Board President and Solicitor, if the school district is designated as being in financial watch status.

C. *Technical Assistance*—The Department will provide technical assistance to any school district designated as being in financial watch status.

[Pa.B. Doc. No. 12-1738. Filed for public inspection September 7, 2012, 9:00 a.m.]