

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 52 Session of 2023

INTRODUCED BY OWLETT, HAMM, BURGOS, SCHLOSSBERG, KINSEY, CIRESI, M. MACKENZIE, KAUFFMAN, STRUZZI, ECKER, MENTZER, PICKETT, FLEMING, ZIMMERMAN, ORTITAY, HARKINS, B. MILLER, JAMES AND ROWE, MARCH 7, 2023

REFERRED TO COMMITTEE ON FINANCE, MARCH 7, 2023

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," providing for the Career and
 6 Technical Education Investment Incentive Program.

7 The General Assembly of the Commonwealth of Pennsylvania
 8 hereby enacts as follows:

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 an
 11 article to read:

12 ARTICLE XX-L

13 CAREER AND TECHNICAL EDUCATION

14 INVESTMENT INCENTIVE PROGRAM

15 Section 2001-L. Scope of article.

16 This article relates to the Career and Technical Education
 17 Investment Incentive Program.

18 Section 2002-L. Definitions.

19 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Applicable tax." The liability for taxes imposed under
4 Articles III, IV, VI, VII, VIII, IX, XV or XX of the Tax Reform
5 Code of 1971 or a tax under Article XVI of the act of May 17,
6 1921 (P.L.682, No.284), known as The Insurance Company Law of
7 1921. The term shall not include a tax withheld by an employer
8 from an employee under Article III of the Tax Reform Code of
9 1971.

10 "Area career and technical education school." A specialized
11 public secondary school established under subarticle (c) of
12 Article XVIII which is used exclusively or principally for the
13 provision of career and technical education programs to
14 individuals preparing to enter the labor market or pursue
15 postsecondary education.

16 "Business firm." An entity authorized to do business in this
17 Commonwealth and subject to taxes imposed under Article III, IV,
18 VI, VII, VIII, IX, XV or XX of the Tax Reform Code of 1971 or a
19 tax under Article XVI of The Insurance Company Law of 1921. The
20 term includes a pass-through entity, including a pass-through
21 entity whose purpose is the making of contributions under this
22 article and whose shareholders, partners or members are composed
23 of owners or employees of other business firms.

24 "Career and technical education partnership organization." A
25 nonprofit entity which meets all of the following:

26 (1) Is exempt from Federal taxation under 26 U.S.C. §
27 501(c)(3) (relating to exemption from tax on corporations,
28 certain trusts, etc.).

29 (2) Provides support or expands access to career and
30 technical education programs.

1 (3) Contributes based on one of the following:

2 (i) At least 80% of its annual cash receipts as
3 contributions to a participating school for program-
4 related costs. For purposes of this subparagraph, a
5 nonprofit entity "contributes" its annual cash receipts
6 when it expends or otherwise irrevocably encumbers those
7 funds for expenditure during the then-current fiscal year
8 of the nonprofit entity or during the next succeeding
9 fiscal year of the nonprofit entity. A nonprofit entity
10 shall also include a school district foundation, public
11 school foundation, charter school foundation or area
12 career and technical education school foundation.

13 (ii) At least 80% of its annual cash receipts to an
14 enrollment expansion program. For purposes of this
15 subparagraph, a nonprofit entity "contributes" its annual
16 cash receipts to an enrollment expansion program when it
17 expends or otherwise irrevocably encumbers those funds
18 for distribution during the then-current fiscal year of
19 the nonprofit entity or during the next succeeding fiscal
20 year of the nonprofit entity.

21 (iii) At least 80% of its annual cash receipts to a
22 combination of expenditures under subparagraphs (i) and
23 (ii).

24 "Career and technical education program." Any of the
25 following:

26 (1) A vocational education program approved by the
27 Department of Education under 22 Pa. Code Ch. 339 (relating
28 to vocational education).

29 (2) A program that provides educational activities which
30 meet all of the following:

1 (i) Offer a sequence of courses that:

2 (A) Provide individuals with content aligned
3 with academic standards and technical knowledge and
4 skills needed to prepare for further education and
5 careers in a high-priority occupation.

6 (B) Provide technical skill proficiency, an
7 industry-recognized credential or a certificate.

8 (ii) Include competency-based applied learning that
9 contributes to the academic knowledge, higher-order
10 reasoning and problem-solving skills, work attitudes,
11 general employability skills, technical skills,
12 occupation-specific skills and knowledge of all aspects
13 of an industry, including entrepreneurship, of an
14 individual.

15 "Charter school." As defined in section 1703-A.

16 "Contribution." The donation of any of the following:

17 (1) Cash to a career and technical education partnership
18 organization to be used to pay program-related costs.

19 (2) Cash to a career and technical education partnership
20 organization to be used for an enrollment expansion program.

21 (3) Personal property, including equipment and supplies,
22 as approved by the participating school.

23 (4) Services, the value of which is the net cost of the
24 donation to the donor or the pro rata hourly wage, including
25 benefits, of the individual performing the service, as
26 approved by the participating school.

27 "Cyber charter school." As defined in section 1703-A.

28 "Department." The Department of Community and Economic
29 Development of the Commonwealth.

30 "Eligible student." An individual who:

1 (1) Is of school age, as defined in section 2002-B.

2 (2) Is enrolled in a school entity.

3 (3) Intends to enroll in an age-appropriate career and
4 technical education program.

5 (4) Is a current resident of this Commonwealth.

6 "Enrollment expansion program." A program established to pay
7 the costs associated with increasing the enrollment of eligible
8 students in a career and technical education program at
9 participating schools.

10 "High-priority occupation." A profession that:

11 (1) is high-wage and high-skill for which there is
12 excess employer demand as identified in the Department of
13 Labor and Industry's current year's high-priority or in-
14 demand occupations list or the State System of Higher
15 Education's workforce needs assessment; or

16 (2) requires a credential, certification, licensing,
17 postsecondary training, associate's degree, bachelor's
18 degree, master's degree or doctoral or first professional
19 degree.

20 "Participating school." A public school, area career and
21 technical education school, charter school or regional charter
22 school that chooses to participate in the program.

23 "Pass-through entity." A partnership as defined in section
24 301(n.0) of the Tax Reform Code of 1971, a single-member limited
25 liability company treated as a disregarded entity for Federal
26 income tax purposes or a Pennsylvania S corporation as defined
27 in section 301(n.1) of the Tax Reform Code of 1971. The term
28 includes a pass-through entity that owns an interest in a pass-
29 through entity.

30 "Program." The Career and Technical Education Investment

1 Incentive Program established under this article.

2 "Program-related costs." Cost and fees for rental or
3 purchase of equipment, materials or supplies used in instructing
4 a career and technical education program at a participating
5 school.

6 "Public school." A public elementary school or a public
7 secondary school at which a resident of this Commonwealth may
8 legally fulfill the compulsory school attendance requirements of
9 this act and which meets the applicable requirements of 42
10 U.S.C. § Ch. 21 Subch. VI (relating to equal employment
11 opportunities).

12 "Regional charter school." As defined in section 1703-A.

13 "School entity." A public school, area career and technical
14 education school, charter school, regional charter school or
15 cyber charter school.

16 "Secondary school." A school with an eleventh grade.

17 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,
18 No.2), known as the Tax Reform Code of 1971.

19 Section 2003-L. Declaration of policy.

20 The Commonwealth recognizes that businesses need educated and
21 trained workers. It is the intent of the General Assembly to
22 foster and encourage private investment in career and technical
23 education programs and the repair, upkeep, replacement and
24 upgrading of industry-grade materials and instructional
25 equipment. Furthermore, it is the intent of the General Assembly
26 that private investment will open doors of opportunity for
27 students and enable them to develop the knowledge and skills for
28 high-demand careers under this article.

29 Section 2004-L. School participation in program.

30 (a) Election to participate.--By October 1, 2023, and each

1 January 1 thereafter, a school entity other than a cyber charter
2 school may elect to participate in the program under this
3 article for the following school year.

4 (b) Notice.--A school entity that elects to participate
5 under subsection (a) shall notify the department of the intent
6 to participate on a form developed by the department. The notice
7 under this subsection shall specify all of the following:

8 (1) That the school entity intends to be a participating
9 school.

10 (2) The amount of program-related costs attributable to
11 each eligible student. The amount under this paragraph shall
12 not exceed the amount that would have been attributed to a
13 student outside of the enrollment expansion program.

14 (c) Participating school responsibilities.--The following
15 responsibilities shall apply to a participating school:

16 (1) Prior to enrollment of a student, a participating
17 school shall inform the parent of a student of the rules,
18 policies and procedures of the participating school,
19 including any academic policies, disciplinary rules or
20 administrative procedures. Enrollment of a student in a
21 participating school shall constitute acceptance of any
22 rules, policies or procedures of the participating school.

23 (2) A participating school may enroll an eligible
24 student in a career and technical education program until the
25 participating school's available seats are filled.

26 Section 2005-L. Establishment and qualification by
27 organizations.

28 (a) Qualification.--

29 (1) In order to qualify for contributions under this
30 article, a career and technical education partnership

1 organization must certify to the department that the
2 organization is eligible to participate in the program.

3 (2) A career and technical education partnership
4 organization must agree to annually report by October 1,
5 2023, and each September 1 thereafter, on a form provided by
6 the department, the following information:

7 (i) The organization is exempt from taxation under
8 26 U.S.C. § 501(c)(3) (relating to exemption from tax on
9 corporations, certain trusts, etc.).

10 (ii) The total number of eligible students and the
11 total amount of contributions awarded per participating
12 school during the immediately preceding school year
13 through an enrollment expansion program.

14 (iii) Where the career and technical education
15 partnership organization collects information on a
16 county-by-county basis, the total number of eligible
17 students and the total amount of contributions awarded
18 during the immediately preceding school year through an
19 enrollment expansion program to residents of each county.

20 (iv) The names and descriptions of career and
21 technical education programs and the total amount of the
22 contributions made to those programs during the
23 immediately preceding school year.

24 (v) The name of each participating school that works
25 with businesses that offer internships, apprenticeships
26 and mentoring programs.

27 (vi) The name of each participating school where
28 career and technical education programs that received
29 contributions were implemented as a result of the
30 contribution during the immediately preceding school

1 year.

2 (vii) Where the career and technical education
3 partnership organization collects information on a
4 county-by-county basis, the total number and the total
5 amount of contributions made during the immediately
6 preceding school year for career and technical education
7 programs at participating schools in each county in which
8 the contributions were made.

9 (viii) The number of credentials earned, including,
10 but not limited to, a certificate, industry certification
11 or State license, and the industry or occupation to which
12 the credential is linked to this program during the
13 immediately preceding school year.

14 (ix) The number of students employed in high-
15 priority occupations as a result of participating in the
16 program.

17 (x) The number of students who secured internships
18 or apprenticeships for high-priority occupations.

19 (xi) The organization's Federal Form 990 or other
20 Federal or State form indicating the tax status of the
21 organization for Federal and State tax purposes, if any,
22 and a copy of a compilation, review or audit of the
23 organization's financial statements conducted by a
24 certified public accounting firm, including an itemized
25 list of expenditures.

26 (3) A career and technical education partnership
27 organization shall provide information under paragraph (2) to
28 the best of the career and technical education partnership
29 organization's ability.

30 (4) The department shall provide forms to interested

1 career and technical education partnership organizations and
2 shall post the forms on its publicly accessible Internet
3 website.

4 (5) The department may not require any other information
5 to be provided by career and technical education partnership
6 organizations, except as expressly authorized under this
7 article.

8 (6) A career and technical education partnership
9 organization that does not meet the certification
10 requirements of this article shall not be eligible to
11 participate in the program.

12 (b) Publication.--The department shall post and update as
13 necessary a list of each career and technical education
14 partnership organization qualified under this section on the
15 department's publicly accessible Internet website.

16 Section 2006-L. Contributions.

17 (a) Designation of contribution.--A contribution made by a
18 business firm under this article shall be designated for:

- 19 (1) an enrollment expansion program; or
20 (2) program-related costs in a career and technical
21 education program.

22 (b) Use of cash contributions.--A participating school shall
23 keep all cash contributions received under this article in a
24 restricted account which shall only be used for program-related
25 costs and enrollment expansion programs.

26 Section 2007-L. Tax credit.

27 (a) Application.--A business firm may apply to the
28 department for a tax credit certificate for contributions made
29 to a career and technical education partnership organization
30 under section 2006-L. A business firm that receives a tax credit

1 under this article shall be subject to the limitations in this
2 section and section 2008-L.

3 (b) Time of application for credits.--

4 (1) Except as provided under paragraph (2), the
5 department may accept applications for tax credits available
6 during fiscal year 2021-2022 no earlier than January 1, 2023,
7 and for tax credits available each fiscal year thereafter no
8 earlier than July 1.

9 (2) The application of a business firm for tax credits
10 available during a fiscal year as part of the second year of
11 a two-year commitment or as a renewal of a two-year
12 commitment which was fulfilled in the previous fiscal year
13 may be accepted no earlier than May 15 preceding the fiscal
14 year.

15 (c) Tax credit.--The Department of Revenue shall on a first-
16 come, first-served basis grant a tax credit against an
17 applicable tax to a business firm providing proof of a
18 contribution to a career and technical education partnership
19 organization in the taxable year in which the contribution is
20 made in accordance with the following:

21 (1) The tax credit shall not exceed 75% of the total
22 amount contributed during the taxable year by the business
23 firm.

24 (2) Except as provided under subsection (h), the tax
25 credit may not exceed \$750,000 annually per business firm for
26 contributions made to career and technical partnership
27 organizations.

28 (d) Priority.--Priority for a tax credit certificate under
29 subsection (c) shall be given to:

30 (1) A business firm that did not receive a tax credit

1 under Article XX-B in the prior fiscal year.

2 (2) A business firm that makes a contribution to a
3 career and technical education partnership organization
4 located in the business firm's workforce development area as
5 described in the Workforce Innovation and Opportunity Act
6 (Public Law 113-128, 128 Stat. 1425).

7 (e) Additional amount.--Subject to the limitations of
8 section 2008-L, and in accordance with this section, the
9 department shall grant a tax credit certificate of up to 90% of
10 the total amount contributed during the taxable year if the
11 business firm demonstrates a written commitment to provide the
12 career and technical education partnership organization with the
13 same amount for at least two consecutive tax years at the time
14 of application.

15 (f) Approval of tax credits.--Unless all authorized tax
16 credits have already been awarded, the department shall give
17 written notice of its approval to each business firm that
18 submits a completed application within 30 days following the
19 date postmarked on the envelope of the completed application.

20 (g) Waiting list.--The department shall maintain a waiting
21 list of each business firm whose application has not been
22 approved because all available tax credits have been awarded. A
23 business firm that is not awarded a tax credit due to a lack of
24 available tax credits shall be notified of a place on the
25 waiting list. When a tax credit becomes available, the
26 department shall award the tax credit to the business firms in
27 the order in which the business firms were placed on the waiting
28 list.

29 (h) Temporary increase in maximum tax credits available.--

30 (1) If all tax credits authorized under this section for

1 contributions to career and technical education partnership
2 organizations have not been awarded as of October 1 of a
3 fiscal year, the limitations specified in subsection (c)
4 shall not apply. The following shall apply:

5 (i) The department may accept applications from
6 October 1 through November 30 from a business firm,
7 including a business firm that already applied for the
8 maximum tax credits available under subsections (a) and
9 (e).

10 (ii) Tax credits awarded under this subsection shall
11 not exceed 75% of the total amount contributed during the
12 taxable year by a business firm pursuant to an
13 application filed under this subsection.

14 (iii) The provisions of subsection (b) shall not
15 apply to applications for tax credits made under this
16 subsection.

17 (2) The tax credits awarded under this subsection shall
18 be awarded on a first-come, first-served basis.

19 (i) Timing of contribution.--A contribution by a business
20 firm to a career and technical education partnership
21 organization shall be made no later than 30 days following the
22 approval of an application under subsection (a).

23 Section 2008-L. Limitations.

24 (a) Amount.--The total aggregate amount of all tax credits
25 approved for contributions from business firms to career and
26 technical education partnership organizations may not exceed
27 \$15,000,000 in a fiscal year. The following shall apply:

28 (1) No more than 10% of the total aggregate amount of
29 tax credits under this subsection shall be distributed to a
30 business making a contribution to be used for an enrollment

1 expansion program.

2 (2) No less than 90% of the total aggregate amount of
3 tax credits under this subsection shall be distributed to a
4 business making a contribution to pay program-related costs
5 and for services and personal property contributions.

6 (b) Activities.--No tax credit may be approved for
7 activities that are a part of a business firm's normal course of
8 business.

9 (c) Tax liability.--

10 (1) Except as provided under paragraph (2), a tax credit
11 granted for a taxable year may not exceed the tax liability
12 of a business firm.

13 (2) In the case of a credit granted to a pass-through
14 entity which elects to distribute the tax credit under this
15 article, a tax credit granted for a taxable year and
16 distributed to a shareholder, member or partner may not
17 exceed the tax liability of the shareholder, member or
18 partner.

19 (d) Use.--A tax credit not used by the applicant in the
20 taxable year the contribution was made or in the year designated
21 by the shareholder, member or partner to whom the credit was
22 transferred under this article may not be carried forward or
23 carried back and is not refundable or transferable.

24 Section 2009-L. Notice of participating schools.

25 By November 1, 2023, and each February 1 thereafter, the
26 department shall provide all career and technical education
27 partnership organizations with a list of each participating
28 school in this Commonwealth located within each county.

29 Section 2010-L. Guidelines.

30 Within 45 days of the effective date of this section, in

1 consultation with the Department of Education, Department of
2 Revenue and the Department of Labor and Industry, the department
3 shall develop guidelines to implement the program.

4 Section 2011-L. Annual report to General Assembly.

5 (a) Submittal.--The following shall apply:

6 (1) No later than December 1, 2024, and each December 1
7 thereafter, the Secretary of Community and Economic
8 Development shall submit a report to the General Assembly
9 summarizing the impact of the program provided under this
10 article. The department shall post the report on its publicly
11 accessible Internet website.

12 (2) The report shall be submitted to all of the
13 following:

14 (i) The chairperson and minority chairperson of the
15 Appropriations Committee of the Senate.

16 (ii) The chairperson and minority chairperson of the
17 Appropriations Committee of the House of Representatives.

18 (iii) The chairperson and minority chairperson of
19 the Education Committee of the Senate.

20 (iv) The chairperson and minority chairperson of the
21 Education Committee of the House of Representatives.

22 (b) Contents.--The report shall include the following
23 information:

24 (1) The amount of tax credits claimed for contributions
25 to a career and technical education partnership organization
26 during the fiscal year.

27 (2) The total cash, personal property and service
28 contributions made from business firms to career and
29 technical education partnership organizations.

30 (3) A list of all career and technical education

1 partnership organizations receiving contributions from a
2 business firm granted a tax credit under this article.

3 (4) The number of high-priority industries participating
4 in the program.

5 (5) The regional disbursement of tax credits.

6 (6) Other data points deemed relevant or necessary by
7 the department administering the program.

8 (c) Provision of information.--The department shall provide
9 information under subsection (b) to the best of the department's
10 ability.

11 Section 2. Within 10 days of the development of the
12 guidelines under section 2010-L of the act, the Department of
13 Community and Economic Development shall transmit notice of the
14 development of the guidelines to the Legislative Reference
15 Bureau for publication in the Pennsylvania Bulletin.

16 Section 3. The addition of Article XX-L of the act shall
17 apply to taxable years commencing after December 31, 2023.

18 Section 4. This act shall take effect as follows:

19 (1) The following shall take effect immediately:

20 (i) The addition of sections 2001-L, 2002-L and
21 2010-L of the act.

22 (ii) Section 2 of this act.

23 (iii) Section 3 of this act.

24 (iv) This section.

25 (2) The remainder of this act shall take effect
26 immediately upon publication in the Pennsylvania Bulletin of
27 the notice under section 2 of this act.