



# **Pennsylvania Association of School Business Officials**

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## **Testimony to the Senate Education Committee on School Construction**

**Tuesday, May 23**

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Good morning. My name is Jeff Mummert, and I am the business administrator of South Western School District in York County and president-elect of the PA Association of School Business Officials (PASBO). I also served as PASBO's representative on the Public School Building Construction and Reconstruction Advisory Committee—the PlanCon Advisory Committee—which was created by Act 25 of 2016 and was tasked with reviewing and making findings and recommendations related to the state's PlanCon program.

Thank you for the opportunity to be here today to discuss school construction and school facilities. This is a critical issue for local education agencies (LEAs) across the Commonwealth, and it is something that has been a challenge for LEAs, students, taxpayers, and the state for decades.

It has been years since Pennsylvania had a school facility reimbursement program, which has resulted in many school districts struggling to pay for needed renovations, construction, and facility upgrades through property tax increases and long-term efforts to grow capital reserve funds. While federal ESSER funds allowed some LEAs a limited opportunity to engage in needed school facility upgrades—particularly around HVAC projects, efforts to improve indoor air quality, and other ESSER-eligible projects—those funds expire on September 30, 2024, returning Pennsylvania to limited options on the school facility front.

We are optimistic that this conversation—and the conversation happening in the House as well—could lead to a renewed opportunity for state support of school facilities.

For decades, the state partnered with school districts and career and technical education centers (CTCs) to provide partial reimbursement for eligible school construction and renovation projects. The program—PlanCon—provided reimbursement to districts and CTCs, generally based on wealth and project-specific information, and was paid over a period of twenty years in conjunction with scheduled debt payments. The program was administered by the PA Department of Education (PDE), and it consisted of an 11-step process that started with project justification at Part A and ended, years later, with Part J and the final project costs (or Part K if there was refinancing).

The process was burdensome, paper-based, and time consuming—it even required the submission of information in microfiche; however, it represented a thoughtful, detailed, and deliberative collaboration and partnership between LEAs and the state.

While the program provided LEAs with needed support for critical facility construction and renovations, over time, state appropriations for the program were reduced—or eliminated—and a backlog developed. The program was overprescribed and LEAs went without approved and planned state reimbursement for months until funds were available to pay owed reimbursements.

To combat this issue, the state placed a moratorium on new projects entering the program and issued a series of bonds through the Commonwealth Financing Authority to fund those projects that had made it into the pipeline prior to the moratorium.

Around the same time, Act 25 of 2016 created the PlanCon Advisory Committee, which was tasked with making recommendations about a way forward for a school construction reimbursement program in Pennsylvania.

I had the pleasure of serving on the PlanCon Advisory Committee, along with legislators, administration officials, and other stakeholders. The Committee held eight public hearings, which included testimony from nearly 50 individuals, and included six tours of school facilities across the Commonwealth.

The complexity of the underlying PlanCon program, the antiquated process and the many perspectives at the table made coming to consensus on final recommendations a challenge, and an intervening budget stalemate and 2018 budget hearings temporarily pushed the issue off the front-burner until earlier this spring.

Through almost two years of work, the Committee came to consensus on recommendations for the future of a PlanCon-like program, and the Committee's recommendations were eventually approved by the General Assembly and codified in Act 70 of 2019.

From our perspective, the best pathway forward on this critical issue is to recognize the good work already done. Act 70 created a structure and a backbone for a revised PlanCon program and also for a maintenance grant program for small projects, and we would encourage policymakers to pick up where we left off in 2019 to modify the existing statutory language, where necessary, and to fund these valuable programs to get them off the ground as soon as possible.

## Act 70 of 2019

### **The Administrative Process**

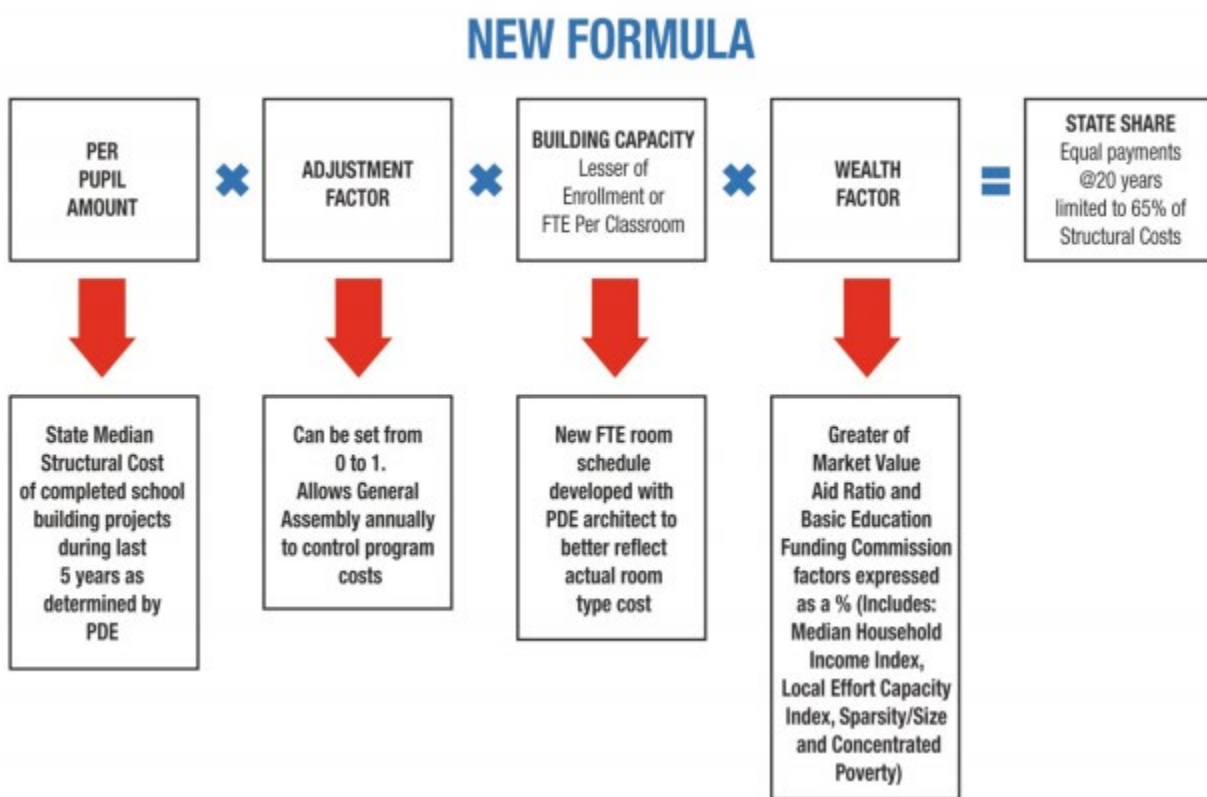
In developing the recommendations that led to Act 70, the PlanCon Advisory Committee heard testimony from school officials, architects, and others regarding the complexity and resulting burden of the 11-step administrative process of the existing PlanCon program.

As a result, Act 70 reduced the 11-step process to a four-step process, significantly reducing the burden as well as the back-and-forth with PDE. This reduction included combining several of the previous steps as well as eliminating several of the steps altogether.

Additionally, Act 70 required PDE to develop an online application and to allow LEAs to submit documentation electronically. This work has already been completed by PDE, and the “new” PlanCon program has been automated and ready to go pursuant to Act 70 for some time.

### Reimbursement Formula

The PlanCon Advisory Committee also made recommendations about major adjustments to the reimbursement formula, as depicted below from the PlanCon Advisory Committee’s final report. These recommendations were critical to building a program that struck a balance between providing LEAs with needed support for critical renovations and construction projects and providing for sustainability and budgetary control of the needed appropriation from the state perspective. All of the recommendations of the Committee were codified into Act 70.



*Source: Public School Building Construction and Reconstruction Advisory Committee Final Report, May 23, 2018*

Moving away from the previous formula that contained per-pupil amounts and rated capacities specific to elementary, secondary and CTCs, the Committee recommended, and Act 70 included, the use of one single per-pupil amount across all LEAs. This amount would be the state median structural cost of completed school building projects over the last five years. This amount would be calculated by PDE and updated every five years.

Act 70 also included the Committee’s recommendation to use one building capacity schedule for both elementary and secondary, providing uniformity and simplicity, and providing some recognition, via weights, that some types of rooms, such as science labs, are more expensive to build.

## PROPOSED COST BASED ROOM CAPACITY SCHEDULE

All School Buildings			
Name of Space	Unit FTE Capacity	Weighting Factor	Unit FTE Capacity X Weighting Factor
Pre-K/Kindergarten Classroom	25	1	25
Special Education Classroom	15	1	15
Special Ed Res	10	1	10
Alternative Ed Classroom	20	1	20
Regular Classroom <sup>1</sup>	25	1	25
Art/Music Classroom <sup>2</sup>	25	1.1	28
Career/Tech-Ed/TV Studio	20	1.6	32
Labs <sup>2</sup>	25	1.3	33
Library/Gyms <sup>4</sup>	50	1.4	70

*Source: Public School Building Construction and Reconstruction Advisory Committee Final Report, May 23, 2018*

In terms of the other components of the reimbursement formula, Act 70 also updated the local wealth factor used to define the proportion of state reimbursement. Via Act 70, the Public School Code defined a new local wealth factor that is the greater of a school district’s Market Value Aid Ratio or a new ratio that combines many components of the new basic education funding formula. The new ratio would include a district’s Median Household Income Index, its Local Effort Capacity Index and adjustments for those districts that qualify for a Sparsity/Size Index or a Concentrated Poverty adjustment. For CTCs, the wealth factor is their Market Value Aid Ratio.

Importantly, Act 70 also included an adjustment factor—a factor to be set and constantly monitored by the General Assembly to ensure the future reimbursement is aligned to the reimbursement levels of the program in the past. This factor has the capacity to mitigate past challenges in which the program was overprescribed and funding was backlogged.

To complete the reimbursement calculation, the factors noted above would be multiplied together, and the product would be divided by twenty. That is the amount that the school district or CTC would receive on an annual basis in state reimbursement for the next two decades. The reimbursement would not be tied to debt, there would be no adjustments for refinancing, which would significantly eliminate another burdensome component of the previous program.

### **High Performance Building Standards**

During the course of the Committee’s activity, there was significant discussion about sustainable building through adherence to high performance building standards. The previous program provided a 10% reimbursement incentive for projects that achieve LEED or Green Globes certification, and Act 70 allows PDE to award a 10% incentive for compliance with high performance building standards that meet or exceed the LEED and Green Globes standards. This allows for flexibility and the potential to achieve energy savings without the costs associated with certification.

### **Maintenance Grant Program**

One of the most important components of the PlanCon Advisory Committee’s recommendations that made it into Act 70 is a grant program to provide state funding for maintenance and repair projects that would not otherwise be eligible for state reimbursement. LEA maintenance and repair needs in school facilities across the state are substantial, and without state support, many LEAs don’t have the resources

to proactively address these issues on a routine basis. The result is that these projects are deferred until a much larger and more expensive problem occurs.

This program is targeted to roof repairs and replacements, heating, ventilation, and air conditioning equipment, boilers and controls, plumbing systems, energy savings projects, health and safety upgrades (which could include efforts to address indoor air quality concerns, asbestos abatement, lead remediation, etc.), emergency repairs, and other projects approved by the Secretary of PDE.

Act 70 recognizes the benefits of incentivizing routine building maintenance and repairs in terms of prolonging the life of facilities and systems, and currently provides for a 25% set-aside of any funds appropriated for a new PlanCon program to be put into a competitive grant program for small projects.

PDE is required to develop a rubric to evaluate projects for grant funding—based on the condition of the facilities, school district wealth, prior grant award funding and whether the project is in response to an emergency that prevents occupation of the school facility. Act 70 currently defines a maximum grant award amount at \$1 million per project, with a school district providing a 50% match of any grant funds received.

We think this portion of Act 70 has tremendous merit, especially as ESSER funds are coming to an end, and going forward there will be limited funds for critical school facility upgrades and repairs and maintenance. While the need across LEAs is significant, adjustments could be made to the language passed in Act 70 to increase, as necessary the total award amount, the eligibility or priority of LEAs in the program, and/or the match amount.

### **Facility Condition Assessment**

Act 70 also contained language regarding a facility condition assessment to gauge the condition of school facilities across the Commonwealth and provide a financial picture of the construction, renovation, maintenance and repair needs of those facilities. PDE was tasked with developing an assessment that school districts could complete every ten years to help provide the state with an inventory of school facilities and their conditions. To incentivize completion of this voluntary assessment, Act 70 required that the grant program's rubric would prioritize project applications and the reimbursement program would provide a 2% reimbursement incentive for projects from school districts that completed the assessment.

We certainly believe this step is important, and we would support efforts to engage in a Commonwealth-wide survey to identify the current and future school facility needs. This would provide significant additional information to assist policymakers and others in identifying the short and long-term financial needs for these state reimbursement programs to ensure that we do not replicate the challenges experience with the previous program.

## **Next Steps**

Again, we are optimistic about the possibility of moving forward on a program of state support for school facilities. We have done the work in Pennsylvania, and the General Assembly has already adopted a structure for re-engaging in this area.

The streamlined PlanCon program defined via Act 70 would allow the state to slowly step back in to being a partner in school facility construction. Because the process would take time for LEAs to progress through—and because the program contemplates paying the reimbursement over 20 years, there is no need to appropriate significant amounts of funds up front. Inching back into the program by beginning to build a reserve fund for this purpose would be a positive first step. Additionally, the reimbursement formula approved in Act 70 creates a lever to ensure that the state does not replicate the funding challenges of the previous program.

Additionally, the maintenance grant program is critical for an even greater number of LEAs. Ensuring that routine maintenance and needed health and safety upgrades can be completed in LEAs across the commonwealth is essential ensuring equity across school facilities. Funding this program—even with a small appropriation—would be a welcome start, and certainly the decoupling of the set-aside amount as defined in Act 70, could provide some flexibility to prioritize this portion of the program to maximum LEA, student, and taxpayer benefit.

I appreciate the opportunity to testify this morning, and I along with PASBO stand ready to assist the Committee as you move forward on this critical issue.

Thank you for your time and attention.