PUBLIC SCHOOL BUILDING CONSTRUCTION AND RECONSTRUCTION ADVISORY COMMITTEE

FINAL REPORT

May 23, 2018

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Executive Summary and Overview of Recommendations

The Public School Building Construction and Reconstruction Advisory Committee identified four key areas in the program where substantial revisions were critical. The Advisory Committee recommends the following based on public hearings and tours of school facilities as well as materials submitted to the Committee.

Administrative Process Recommendations:

- Simplify by reducing to a 4-step administrative process.
- Authorize PDE to develop a web-based application and data collection system.
- Allow electronic submittal of required documents via Internet.

High Performance Building Standards Recommendations:

- Recognize LEED and Green Globes as high performance building standards.
- Allow the Secretary of Education to recognize other high performance building standards with the goal to meet or exceed LEED and Green Globes standards.
- Provide a ten percent (10%) incentive in the reimbursement formula for projects that use recognized high performance building standards.
- Require projects seeking the high performance building standards reimbursement incentive to provide a projected return on investment for utilizing high performance standards versus code construction which must show a positive return on investment over the building's lifetime.

Maintenance, Repairs, and Modernization Project recommendations:

- Create a small project building maintenance and repair grant program by designating a twenty percent (20%) set-aside of monies appropriated for the new building reimbursement program a. Eligible projects shall include:
    - Roof repairs and replacement
    - HVAC boilers and controls
    - Plumbing systems
    - Energy savings projects
    - Health, safety and security upgrades
    - Emergencies, and
    - Other projects as approved by the Secretary
    - Per project maximum award of $1 million with a fifty (50%) local match.
    - Annual allocation of funds to a district cannot exceed twenty (20%) of annual set-aside funds
        - Use funding rubric to prioritize grant awards which shall consider:
        - School district wealth
        - Prior receipt of grant awards
    - Building condition

    - Emergencies
- Allocate a fifty percent (50%) of grant awards on December 31 and allocate remaining funds no later than June 30.
- Define emergencies as deficiencies which prohibit a school building from being occupied.
- Require PDE to annually transmit grant award information, including scoring, to the Senate and House Appropriations Committees.
- Develop guidelines for voluntary reporting of information by districts related to building safety, inventory and condition.
- Require PDE to create a uniform Facility Condition Assessment (FCA) for all school districts that includes, but is not limited to, a projection of costs to maintain and renovate the districts existing facilities. Each district's completed FCA shall be submitted to the Department and the Department shall post the FCAs on its website.
- Incentivize districts to make reports on a decennial basis.
- Provide additional points in small project grant funding rubric for participation
- Provide two percent (2%) incentive in reimbursement formula for participation.
- Require the Department of Labor and Industry to make information available to public school districts to help them understand the difference between "public work" and "maintenance work" based on industry standards and the existing language of the Pennsylvania Prevailing Wage Act.
- Create a set-aside of five percent (5%) of monies appropriated for the new building reimbursement program to be dedicated to school safety projects.

Reimbursement Formula Recommendations:

Per Pupil Amount

- Determine a base per full-time equivalent (FTE) reimbursement amount using the state median structural cost of completed school building projects during the last five (5) years as determined by the Department of Education.
- At present, the Department calculates this amount to be $18,251.
- Recalculate base per FTE reimbursement every five years.

Adjustment Factor

- The adjustment factor shall be set by the General Assembly and the Governor from 0 to 1 to determine the state share of the base per FTE amount. Consideration shall be given to provide for a consistent level of funding from year-to-year for school districts planning future projects.

School Building Capacity

- Use the lesser of a school buildings enrollment and the per FTE building capacity.
- Determine the per FTE building capacity using a room schedule that weighs the FTEs per room based on the cost of each type of room.

- Use room schedule developed by PDE's Architect which considers costs.

Wealth Factor

Use the greater of the Market Value Aid Ratio and a new aid ratio which utilizes factors contained in the Basic Education Funding Formula.

The new aid ratio uses the following factors:

  - Median Household Income Index
  - Local Effort Capacity Index
  - Sparsity-Size Adjustment (School districts that qualify for a sparsity-size adjustment receive an additional 0.1000)
  - Concentrated Poverty (School districts with concentrated poverty receive an additional 0.0500)
  - Provides for a minimum wealth factor of 0.1500.

Formula Calculation

- Multiply the Per Pupil Amount by the Adjustment Factor by the Building Capacity by the Wealth Factor to determine the state share.

Maximum Payment Amount

- State share cannot exceed 65% of school building projects structural costs.

Payment Schedule

- Divide state share into 20 equal payments to be made over 20 years.

Formation of Public School Building Construction and Reconstruction (PlanCon) Advisory Committee

Advisory Committee Purpose

Pursuant to Act 25 of 2016 (HB 1589), an advisory committee was established to review and make findings and recommendations related to the program for State reimbursement for construction and reconstruction and lease of public school buildings.

The Advisory Committee was required by statute to hold its first meeting within 30 days of the effective date of this section regardless of whether all of the committee members have been appointed.

At the first meeting the Pennsylvania Department of Education (PDE) was required to present its report relating to the State-wide analysis of school facilities and capital needs as required under section 732.1 of the Public School Code of 1949.

Act 44 of 2017 amended Act 25 of 2016, to provide that the Advisory Committee's report including its recommendations and findings be issued not later than January 31, 2018.

Advisory Committee Structure and Membership

Act 25 of 2016 required that the Committee consist of the following:

(1) The Secretary of Education or a designee.
(2) One member appointed by the President pro tempore of the Senate and the Speaker of the House of Representatives.
(3) A representative from each of the following:
    a. The Pennsylvania Association of School Business Officials (PASBO)
    b. The Pennsylvania School Boards Association (PSBA)
(4) The chairperson and minority chairperson of the Appropriations Committee and Education Committee of the Senate and the chairperson and minority chairperson of the Appropriations Committee and Education Committee of the House of Representatives.
(5) One member appointed by the President pro tempore of the Senate.
(6) One member appointed by the Minority Leader of the Senate.
(7) One member appointed by the Speaker of the House of Representatives.
(8) One member appointed by the Minority Leader of the House of Representatives.

The Act provides that the Advisory Committee shall appoint a member to serve as a chairperson. On June 14, 2016, the Committee appointed Senator Patrick Browne, Secretary Pedro Rivera and Representative Stan Saylor as co-chairs.

The following members were appointed to the Advisory Committee:

- Secretary of Education – Secretary Pedro Rivera
- Joint appointment of Speaker and Pro Tempore – Senator Ryan Aument
- PASBO – Jeff Mummert, South Western School District
- PSBA – John Callahan, Director of Government Affairs
- Appropriations Chairs – Representative Bill Adolph, Senator Patrick Browne
    - Minority Chairs – Representative Joseph Markosek, Senator Vincent Hughes
- Education Chairs – Representative Stan Saylor, Senator Lloyd Smucker
    - Minority Chairs – Representative James Roebuck, Senator Andrew Dinniman
- Pro Tempore – John Wanner, Building Trades
- Minority Leader of Senate – Senator James Brewster
- Speaker – Representative Ryan Mackenzie
- Minority Leader of House – Representative Leanne Krueger-Braneky

With the convening of the 2017-2018 Legislative Session, several membership changes occurred. The Committee added the following members – House Education Chairman, David Hickernell and Senate Education Chairman John Eichelberger. The current Advisory Committee members are:

- Secretary of Education – Secretary Pedro Rivera
- Joint appointment of Speaker and Pro Tempore – Senator Ryan Aument
- PASBO – Jeff Mummert, South Western School District
- PSBA – John Callahan, Director of Government Affairs
- Appropriations Chairs – Representative Stan Saylor, Senator Patrick Browne
    - Minority Chairs – Representative Joseph Markosek, Senator Vincent Hughes
- Education Chairs – Representative David Hickernell, Senator John Eichelberger
    - Minority Chairs – Representative James Roebuck, Senator Andrew Dinniman
- Pro Tempore – John Wanner, Building Trades
- Minority Leader of Senate – Senator James Brewster
- Speaker – Representative Ryan Mackenzie
- Minority Leader of House – Representative Leanne Krueger-Braneky

Advisory Committee Hearings and Tours

The Advisory Committee held the following public hearings:

July 12, 2016	North Office Building, Hearing Room #1
August 31, 2016	North Office Building, Hearing Room #1
September 7, 2016	Donegal High School
November 21, 2016	Overbrook High School
November 22, 2016	Coeburn Elementary School
February 13, 2017	Red Lion Area Senior High School
March 24, 2017	O'Block Jr. High School
May 4, 2017	East Penn District Administration Building

The Advisory Committee conducted the following informational tours:

September 7, 2016	Donegal High School
November 21, 2016	Overbrook High School
November 22, 2016	Coeburn Elementary School
February 13. 2017	Red Lion Senior High School
March 23, 2017	Sci-Tech High School, Pittsburgh
March 24, 2017	Holiday Park Elementary

Testifiers before the Advisory Committee

The following witnesses testified before the Public School Building Construction and Reconstruction Advisory Committee at its public hearings:

Hannah Barrick, Director of Advocacy, PA Association of School Business Officials (May 4, 2017)

Ernie Bennett, 1201 District Leader, 32BJ, SEIU (November 21, 2016)

Dr. Naomi Johnson Booker, Vice President, Board of Trustees, Keystone Alliance for Public Charter Schools; CEO, Global Leadership Charter School, Philadelphia (February 13, 2017)

Christopher Brewer, Esq., Partner, Dinsmore & Shohl, LLP (April 19, 2017)

Bob Bruchak, Business Administrator, Salisbury Township School District (May 4, 2017)

Fran Burns, Chief Operating Officer, School District of Philadelphia (November 21, 2016)

Michael Calla, Superintendent, Sharon School District (March 24, 2017)

John Callahan, Director of Government Affairs, PA School Boards Association (January 25, 2017)

Jonathan Cetel, Executive Director, PennCAN (February 13, 2017)

Scott Compton AIA, NCARB, LEED AP, Managing Principal, Klein & Hoffman (April 26, 2017)

Dr. Scott Deisey, Superintendent, Red Lion School District (February 13, 2017)

Alex Dews LEEP AP, Executive Director, Delaware Valley Green Building Council (November 22, 2016)

Dan Engen, Owner, VEBH Architects (March 24, 2017)

Bill Euker, Former Business Manager, Ridley Township School District (November 22, 2016)

Arif Fazil, President, D'Huy Engineering (May 4, 2017)

Dr. Alan Fegley, Superintendent, Phoenixville Area School District (November 22, 2016)

Howard Fleeter, Ph. D, Ohio Education Policy Institute (August 31, 2016)

Danielle Floyd, Director of Capital Programs, School District of Philadelphia (November 21, 2016)

Phillip G. Foreman, NCARB, AIA, President & CEO, The Foreman Group Companies (November 22, 2016)

Daniel Forry, PRSBA, Chief Operating Officer, Hempfield School District (September 7, 2016)

James P. Gaffney, Vice President, Gishen Mechanical, Inc.; President, Mechanical Contractors Association of Eastern PA (November 22, 2016)

Dr. Timothy Glasspool, Superintendent, Plum Borough School District (March 24, 2017)

Michael Griffith, School Finance Strategist, Education Commission of the States (August 31, 2016)

Dr. Anthony Hamlet, Superintendent, Pittsburgh Public Schools (March 23, 2017, March 24, 2017)

Jay Himes, CAE, Executive Director, PA Association of School Business Officials (May 4, 2017)

Brian Jackson, Superintendent, West Greene School District (March 24, 2017)

Christopher Johnston, PRSBA, Business Manager, Penn Manor School District (September 7, 2016)

Stan Johnston, Business Manager, Phoenixville Area School District (November 22, 2016)

Mike Kelly, Principal, KCBA Architects (May 4, 2017)

Martha Kew, Business Manager, Wallingford-Swarthmore School District (November 22, 2016)

David Lever, former Director, Maryland Interagency School Construction Committee (November 21, 2016)

Joe Lubitsky, Director of Administrative Services, Chester County Intermediate Unit (November 22, 2016)

John Luciani, President, First Capital Engineering (February 13, 2017)

Danielle Mariano, Director, Bureau of Budget and Fiscal Management, PA Department of Education (July 12, 2016, January 25, 2017)

Tracy Marshall, Business Manager, Penn-Delco School District (November 22, 2016)

Shawn McNeil, Principal, Pittsburgh Science and Technology Academy (March 23, 2017)

Devonia Mourning, Teacher, Overbrook High School (November 21, 2016)

Dr. Lisa Palmer, Superintendent, Wallingford-Swarthmore School District (November 22, 2016)

Dr. Gennaro Piraino, Jr., Superintendent, Franklin Regional School District (March 24, 2017)

Dennis Pierce, President, The Fairfield Company (May 4, 2017)

Anthony Pirrello, Vice President, PA Coalition of Public Charter Schools; CEO, Montessori regional Charter School, Erie (February 13, 2017)

Matt Przywara, PRSBA, CPA, Chief Financial and Operations Officer, School District of Lancaster (September 7, 2016)

Doug Rohrbaugh, Principal-in-Charge, Crabtree, Rohrbaugh & Associates Architects (November 22, 2016)

Richard Sniscak, Superintendent, Parkland School District (May 4, 2017)

Dave Steele, PE, ACEC/PA Vice Chair of Facilities Committee; Vice President, Urban Engineers, Inc. (February 13, 2017)

Michelle Stepnick, School Board Member, Plum Borough School District; Member, PSBA PlanCon Advisory Committee (March 24, 2017)

Susan Ursprung, Ed. D, Superintendent, Donegal School District (September 7, 2016)

Jim Vogel, Architectural Consultant, PA Department of Education (July 12, 2016)

Mike Wang, Executive Director, Philadelphia School Advocacy Partners (February 13, 2017)

Jeannine Weiser, Division Manager, Bureau of Budget and School Facilities, PA Department of Education (July 12, 2016)

Background of School Construction Reimbursement

Article VII and Article XXV of the Public School Code of 1949 contain the statutory requirements for the school construction reimbursement process. The Commonwealth has been providing school district construction reimbursement since the 1950s, but the origins of the current reimbursement system date back to Act 34 of 1973. This Act required districts to ensure their school buildings conformed to the standards of the State Board of Education. Following the passage of Act 34, the Department also began to further define the program by developing and implementing additional standards and processes through policy, guidance and regulation.

Since the 1979-1980 fiscal year, the Commonwealth has spent approximately $7.8 billion in support of school facilities, whether through the construction of new facilities or the expansion and renovation of existing facilities.[1] Currently, school districts apply for reimbursement for construction and reconstruction projects through the Planning and Construction Workbook process, known as PlanCon. According to the Pennsylvania Department of Education (PDE), this process is designed to accomplish four items[2]:

1) Document a school district's planning and construction process.
2) Provide justification for a project to the public.
3) Ascertain compliance with the Public School Code, State Board of Education regulations, Basic Education Circulars (BECs) and PDE policy.
4) Establish the level of Commonwealth reimbursement.

The PlanCon process is comprised of 11 largely sequential parts (A through K) during which school districts are required to submit information to and obtain incremental approval from PDE. During this process, PDE reviews the proposed plans for school construction and reconstruction projects, including specifications, enrollments, building utilization, and building condition.[3] PDE also calculates the reimbursement for qualifying projects and approved financing for reimbursable projects.

School districts seeking Commonwealth reimbursement for school construction and reconstruction are required to participate in the PlanCon process, which can take years to complete. According to PDE, the timeline for moving a project through the process can be impacted by events outside of the Department's control, including school board reviews, contracting and bidding, and other agency reviews.[4] The average time for a project to move

[1] PDE May 2013 Report to the General Assembly.
[2] PDE May 2013 Report to the General Assembly. Testimony of PDE (July 12, 2016).
[3] PDE May 2013 Report to the General Assembly.
[4] Testimony of PDE (July 12, 2016).

from Part A through Part G is approximately 14 months. School districts do not begin to receive reimbursement until the project has been approved at Part H.

For a number of recent fiscal years, the PlanCon process has faced escalating financial challenges, particularly as PDE has struggled to keep up with the financial cost of reimbursing all school districts for projects in a timely manner. This insolvency necessitated PDE to artificially freeze many construction projects in the approval process and withhold final reimbursement approval for projects while PDE attempted to pay off some of its obligations for projects already being reimbursed.

In order to address some of the challenges facing the PlanCon process, including the significant backlog of projects, many legislative actions were taken in recent years. Act 24 of 2011 was enacted which amended the School Code to clarify that school districts do not have to comply with the PlanCon requirements or approvals if the school is not seeking state reimbursement.

Act 82 of 2012 limited PDE's acceptance or approval of new school building construction or reconstruction project applications for the 2012-2013 fiscal year, effective October 1, 2012. Act 82 further required PDE to conduct a review of its process for reviewing and approving public school building projects for Commonwealth reimbursement by May 1, 2013. In May 2013, PDE released a report pursuant to Act 82 that indicated:

- While PDE was able to reimburse every school entity with an approved project that has filed complete paperwork, PDE estimated that an additional $20 million or more would have been needed in fiscal year 2012-13 if all remaining school entities with approved projects submitted complete paperwork. This funding gap was attributed to prior management of the process.
- At the time, there were currently 354 projects in the PlanCon approval pipeline that had not yet been approved, with a total estimated cost to the Commonwealth of $1.2 billion.
- PDE estimated that it would have needed an additional $160 million, over and above the 2012-13 fiscal year appropriation, to provide reimbursement in fiscal year 2013-2014 for the 166 projects that were at the step immediately prior to Part H approval.
- The Commonwealth should extend the moratorium until a statewide analysis of school facilities and future capital needs is complete. Upon completion of that analysis, the General Assembly, PDE and school entities could develop a new model for school construction reimbursement.

Act 59 of 2013 continued the moratorium on PDE's acceptance of applications for school construction reimbursement through the 2013-14 fiscal year and required PDE to conduct a statewide analysis of school facilities and future capital needs with a preliminary report to be submitted by May 1, 2014. In response to the requirement for a state-wide analysis, PDE

conducted a facilities study. The Department collected data on 1,194 of the roughly 3,100 public school buildings in the Commonwealth. The survey found that 66% of these buildings were constructed before 1970.

Act 126 of 2014 contained a provision to permit PDE to distribute available construction reimbursement funding to more school districts with priority given to school districts with approved projects that have submitted all required documentation to PDE. This legislation addressed the issue of schools who were either not submitting paperwork timely or not submitting required paperwork at all.

With the passage of Act 26 of 2016, significant changes were slated for the PlanCon program. In addition to establishing the Public School Building Construction and Reconstruction Advisory Committee to conduct its review, Act 26 allowed for funds to be acquired from an appropriation-backed bond issue through the Commonwealth Financing Authority (CFA) to provide reimbursements to school districts with projects currently in the PlanCon process. The CFA has since approved bond resolutions to borrow funds for the program, and PDE has begun issuing significant payments to school districts for PlanCon payments they were owed.

School Construction Reimbursement in other States

The Committee received testimony on how several other states provide funding and oversight to school construction. Testimony has been received from the Education Commission of the States, which provided a 50-state overview, as well as a few Education officials from other states.

State Support for Capital Funding

- 12 states have provided no capital funding to districts over the past 20 years (Idaho, Indiana, Louisiana, Michigan, Missouri, Nebraska, Nevada, Oklahoma, Oregon, South Dakota, Tennessee, and Wisconsin).
- 7 states have provided capital funding over the past 20 years but do not currently provide funding (Arkansas, Illinois, Iowa, Kansas, North Carolina, North Dakota, and West Virginia).
- 6 states have provided more than 50% of capital funding over the past 20 years (Hawaii, Rhode Island, Massachusetts, Wyoming, Connecticut, and Delaware).

Direct Capital Funding

- 23 states provide state capital funding grants.
- 9 states provide a per-pupil amount in the funding formula.

Indirect Capital Funding

- 8 states provide debt service grants.
- 5 states provide bond guarantees.

- 4 states provide loans.

State Examples

Connecticut

Districts annually request funding for school facility projects, and the state ranks projects based on health and safety needs, school environment, and capacity. The state legislature provides funding for grants from the general fund.

Massachusetts

Since 2004 the Massachusetts School Building Authority (MSBA) has spent $12.1 billion for school construction reimbursement. Funding comes from a stream of 1% of the statewide 6.25% sales tax. Districts are reimbursed by MSBA as costs are incurred, and to be eligible for reimbursement, MSBA must be involved in all phases of a project through feasibility study, design development, construction, and project close-out.

Maryland

The state's Public School Construction Program, administered by the Interagency Committee on School Construction (IAC), provides funding for construction costs. The IAC recommends projects for approval to the Board of Public Works under the Capital Improvement Program/CIP (more than $300 million per year) and directly approves projects in five smaller programs. Eligible project categories for CIP include major projects and small renovations and additions; repair and maintenance projects are not eligible. State funding for CIP is determined by formula, which varies according to different projects, and a local funding match is required.

Ohio

The Ohio School Facilities Commission (OSFC) operates several school construction programs. The Classroom Facilities Assistance Program is the primary OSFC program under which funding is distributed to school districts that are ranked according to relative wealth to establish priority for state assistance and determine the state share of funding. To receive assistance, districts must meet a local share requirement. Additional programs provide funding for expedited projects begun with local funds, facilities with exceptional needs, and vocational school construction projects. The OSFC Design Manual for construction standards and the District Master Facility Plan developed by OSFC with input from the district largely determines the parameters for construction projects. The largest source of ongoing funding for OSFC has been state general obligation bonds backed by the state's general revenue fund.

Overview of the 11-step PlanCon process[5]

1) Part A (Project Justification)
   - District-wide Facility Study (prerequisite)
   - Preliminary calculation of building capacities
   - Bring entire building up to current standards
   - 20-Year rule and 20% rule for alteration costs

2) Part B (Schematic Design)
   - First of three architectural reviews (advisory in nature)
   - Review schematic site plan, floor plan, educational specifications
   - Discuss applicable Pennsylvania School Code and PDE requirements
   - Focus on health/safety issues
   - Promote sustainable/high performance "green" school design

3) Part C (Site Acquisition)
   - Acquisition of land and/or buildings (if applicable)

4) Part D (Project Accounting Based on Estimates)
   - Estimated project costs
   - Act 34 of 1973 – First Hearing and Referendum checks
   - Various "financial ability" tests are performed
   - Provides estimate of commonwealth reimbursement

5) Part E (Design Development)
   - Second of three architectural reviews (advisory in nature)
   - Interim review of project when the design is more fully developed

6) Part F (Construction Documents)
   - Final architectural review (actual bid documents)
   - Final calculation of building capacities
   - Confirm compliance with applicable Pennsylvania School Code and PDE requirements
   - Part F approval letter – First "final" approval
   - Part F approval letter – Needs to be issued prior to entering into contracts

7) Part G (Project Accounting Based on Bids)
   - Review actual construction bids
   - Act 34 of 1973 – Second Hearing check and Referendum recheck

[5] This section has been reproduced from the PDE May 2013 Report to the General Assembly.

- Various “financial ability” tests are performed again
- Part G approval letter – Confirms “eligibility” for reimbursement

8) Part H (Project Financing)
- Review financing documents
- Calculate a temporary reimbursable percent
- Part H approval letter – Obligates the commonwealth to reimburse the project

9) Part I (Interim Reporting)
- Reporting of change orders and supplemental contracts during construction
- Act 34 of 1973 – Second Hearing and Referendum rechecks
- Part F building capacities adjusted (if applicable)

10) Part J (Project Accounting Based on Final Costs)
- Final project accounting after construction is completed
- Calculation of a permanent reimbursable percent

11) Part K (Project Refinancing)
- Review refinancing documents
- Used only if a bond issue is refunded, refinanced or restructured

PlanCon Appropriation History
Department of Education, Authority Rentals 1979-2018
Summary General Fund Budget (Dollar Amount in Thousands)

Fiscal Year	Appropriation
1979-80	153,700
1980-81	145,550
1981-82	145,633
1982-83	145,000
1983-84	137,646
1984-85	147,683
1985-86	141,967
1986-87	136,000
1987-88	135,000
1988-89	134,000
1989-90	142,800
1990-91	142,800
1991-92	214,000
1992-93	214,000
1993-94	183,963
1994-95	182,000
1995-96	227,844
1996-97	225,400
1997-98	239,906
1998-99	233,766
1999-00	253,766
2000-01	267,451
2001-02	276,061
2002-03	283,078
2003-04	291,183
2004-05	294,483
2005-06	296,483
2006-07	296,483
2007-08	318,368
2008-09	315,500
2009-10	318,500
2010-11	314,937
2011-12	295,333
2012-13	296,198
2013-14	296,198
2014-15	306,198
2015-16	0
2016-17	0
2017-18	29,703

Findings and Recommendations:

Administrative Process

Since Act 34 of 1973 established the PlanCon administrative process, in its current form, the process used by a school district or area vocational-technical school (AVTS) career and technology center (CTC)[6] to qualify for reimbursement for school construction projects has remained largely unchanged. While widely understood by architectural professionals and consistently followed by applicants, this process includes out-of-date legacy procedures and requirements. The Advisory Committee identified certain outdated requirements in the process and readily determined that many could be eliminated. In addition, the testimony of several experts with long histories of participating in the PlanCon process identified other opportunities to address inefficiencies. The ensuing recommendations were the result of the Committee's focus on modernizing and streamlining the PlanCon process. The recommendations provide an opportunity to reduce the number of procedural parts of the PlanCon process by more than 50% and to modernize the process by incorporating web-enabled technology that would vastly improve project tracking, budgeting, data collection and reimbursement payments procedures.

Streamlining the Process

- ***Recommendation: Reduce the existing PlanCon process to a 4-step administrative process.***

A common theme of down-sizing emerged from the testimony the Advisory Committee heard from a variety of different perspectives. A School District of Lancaster official offered the following, which was representative of that theme, "The PlanCon process is long and tedious and needs an overhaul."[7]

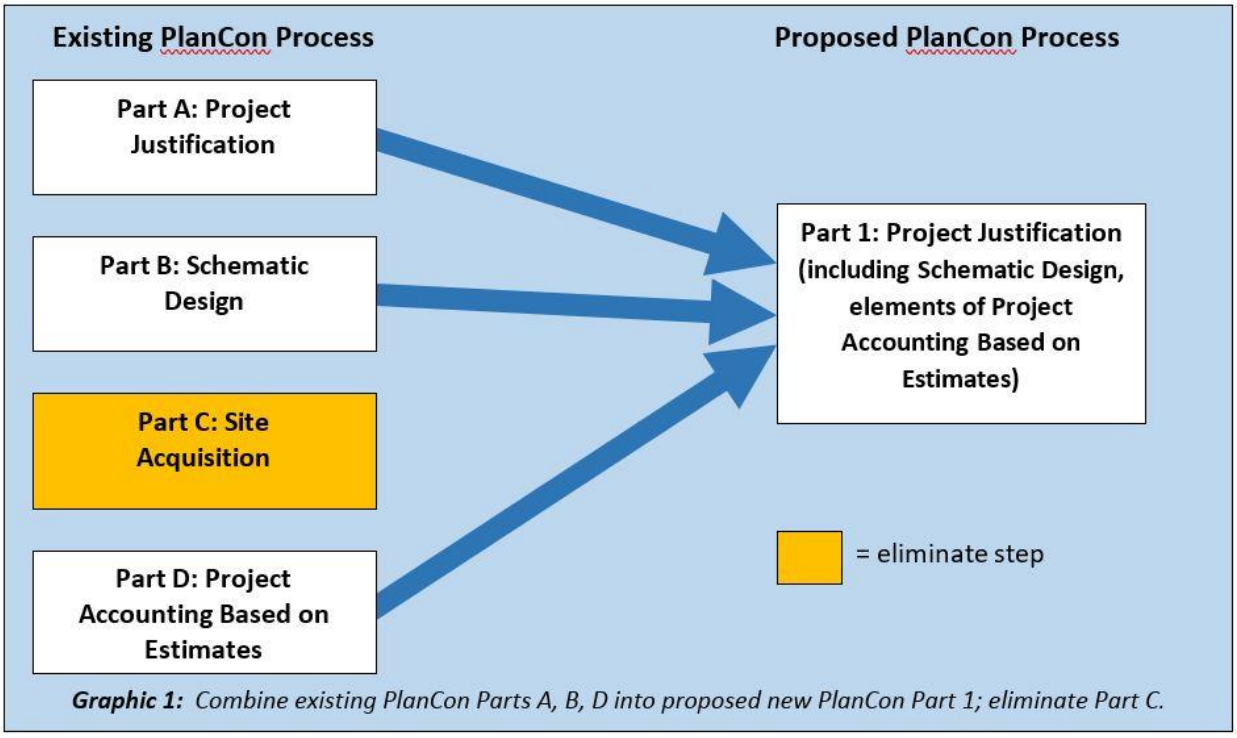
The PlanCon process currently is comprised of 11 parts (A through K) during which applicants submit information to and obtain incremental approval from the Department. The average time for a project to move from Part A through Part G is approximately 14 months. However, the project timeline can vary and is driven by the local circumstances. There have been instances where the Department did not have sufficient funds to approve the reimbursement of new projects, and as a result, new project approvals were delayed.

[6] Note that, consistent with the PlanCon instructions and forms, this report may only reference school districts and their projects, however PlanCon and all requirements described herein apply to both school district and area vocational-technical school (AVTS)/career and technology center (CTC) projects unless otherwise noted.
[7] Testimony of Matt Przywara, School District of Lancaster (September 7, 2016)

After hearing testimony describing the need to simplify the PlanCon process, the Advisory Committee requested input on how the process could be reduced in complexity, while maintaining the integrity and the due diligence afforded by the current process.

School district officials, school project architects, and the Department provided input on how to integrate procedural steps, reduce complexity, increase efficiency, and simplify the submission of project documentation.

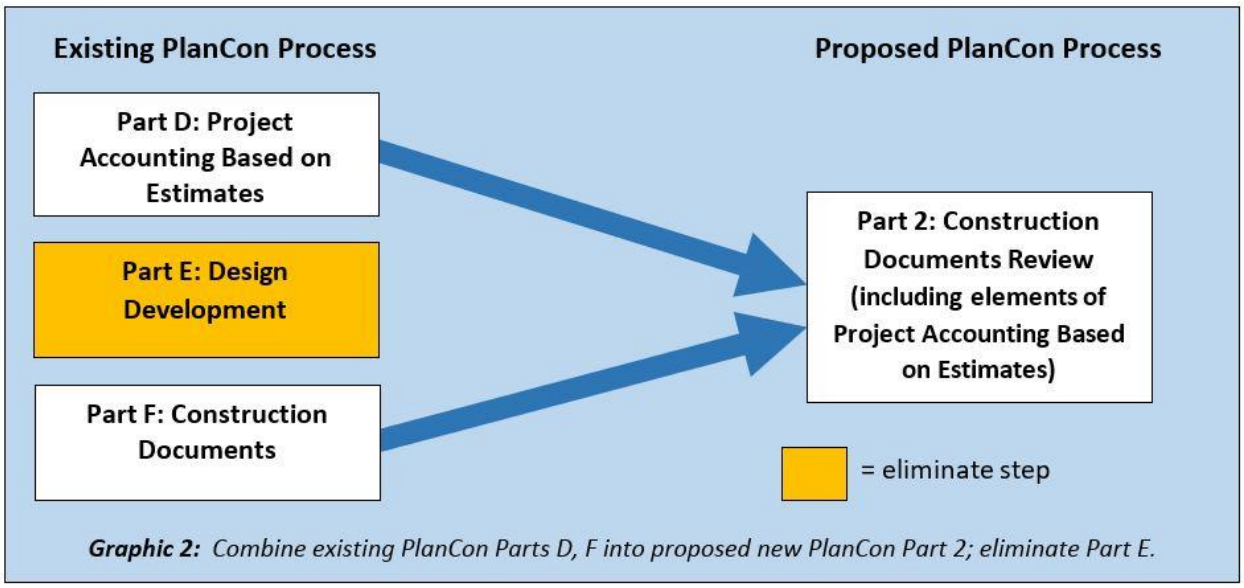
The following graphics illustrate the proposed new 4-step PlanCon process and how it would compare to the existing 11-step PlanCon process. Current parts A-K are either being integrated within a new procedural step or proposed to be eliminated.



Graphic 1: *Combine existing PlanCon Parts A, B, D into proposed new PlanCon Part 1; eliminate Part C.*

The proposed consolidation of existing PlanCon Parts A, B and elements of Part D into a new PlanCon process Part 1 recognizes that current steps A and B are performed concurrently in practice and elements of Part D can be moved into Part 1 to align with what applicants would need to facilitate the Act 34 public hearing process. Creating a newly consolidated Part 1 would therefore save time for both school districts and the Department, by eliminating duplicative submittals, reviews and approvals. Currently, PlanCon applicants self-certify that the school district has conducted a district-wide facility study within the previous two years. By incorporating a requirement into the consolidated Part 1 for the Department to receive the summary page of this study, this streamlined process will allow the Department to confirm that the submitted project is grounded in the facility study, saving school districts and the Department time by filtering out ineligible projects early in the process.

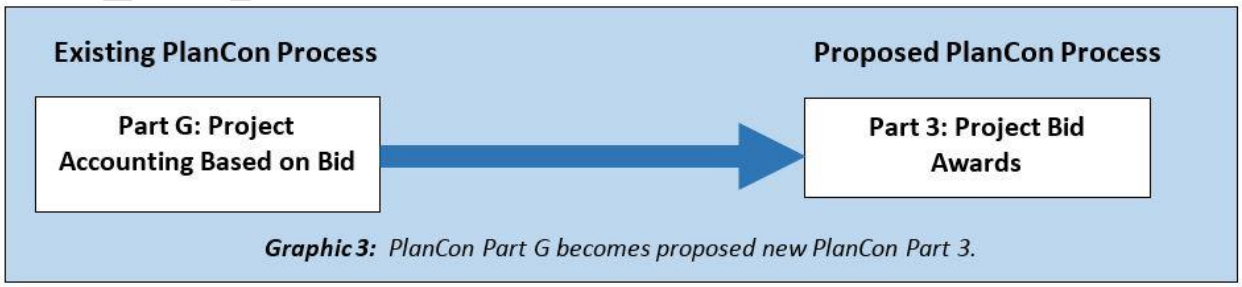
PlanCon process Part C related to site and building acquisition is proposed to be eliminated in the revised process because the Advisory Committee is recommending that the Commonwealth no longer reimburse school districts for that expense. This change will represent another significant efficiency as the current process requires the school district to secure Part C approval before it can proceed with site or building acquisition.



Graphic 2: *Combine existing PlanCon Parts D, F into proposed new PlanCon Part 2; eliminate Part E.*

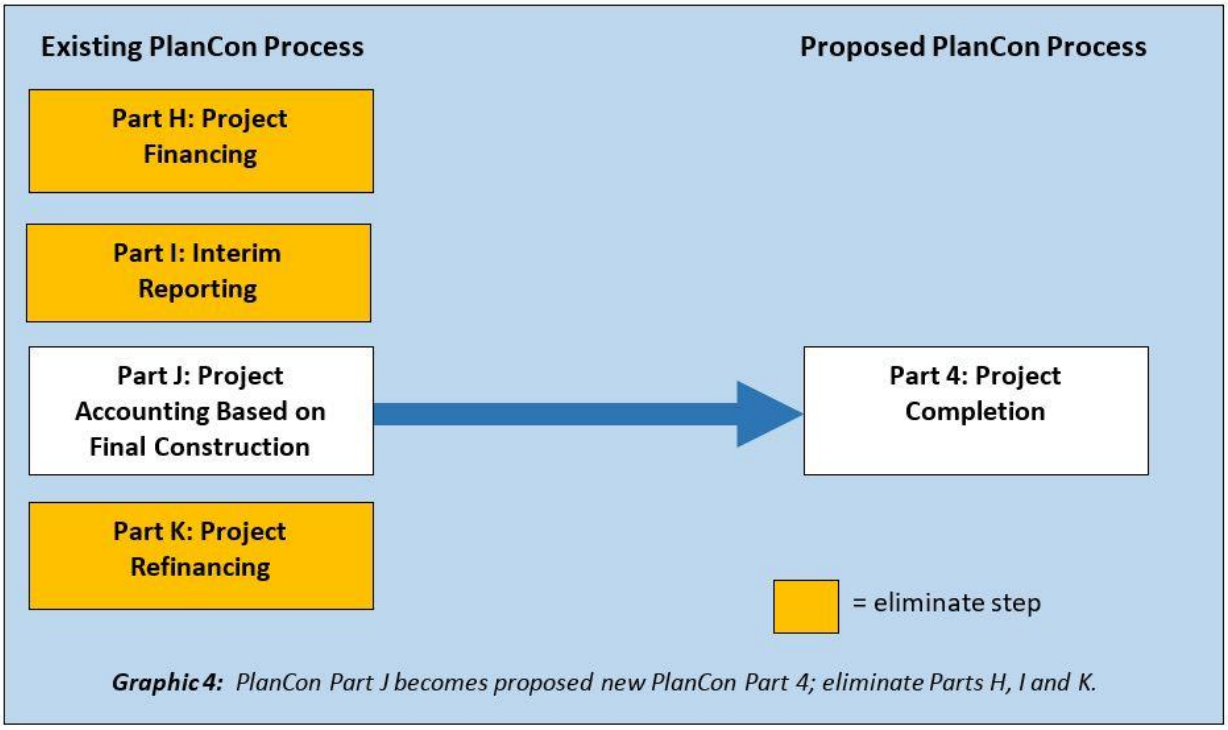
By consolidating a portion of existing PlanCon Part D and all of Part F, the proposed new PlanCon Part 2 would integrate the logical elements of a construction documents review into a single stage in the process. This change removes submittal and review redundancy without compromising the Department's ability to verify Act 34 compliance and construction document completeness.

Currently, Part E is an interim check on a project's updated design after its Parts A/B submittal. The purpose is to verify continued compliance with program requirements, to ascertain and address any new issues with the project and to ensure there are not problems at the project bidding phase. Under the new consolidated process, these interim checks will be performed as necessary throughout the four parts.



Graphic 3: *PlanCon Part G becomes proposed new PlanCon Part 3.*

The proposed shift of PlanCon Part G to become new process Part 3 is a direct conversion without a change in scope.



Graphic 4: *PlanCon Part J becomes proposed new PlanCon Part 4; eliminate Parts H, I and K.*

The proposed elimination of current PlanCon process Parts H and K, relating to project financing and refinancing respectively, is a recognition that the Advisory Committee is recommending these elements be eliminated from the program's reimbursement calculation.

As described in the Advisory Committee's recommended changes to the current PlanCon reimbursement formula, the Department will no longer base project reimbursements on the project's debt service schedule. Instead, reimbursement payments will be structured as equal payments over 20 years. This change will allow the Department and the General Assembly to more accurately budget the annual funding needed for the program. This modification will also eliminate the need for the Department to repeatedly recalculate project subsidies as a result of bond refinancing, which is time consuming for both the school district and the Department.

Several members of the Advisory Committee initially expressed concerns about the proposed elimination of Part I of the current PlanCon program. Specifically, there was a concern that eliminating Part I could negatively impact the Department's ability to monitor compliance with Act 34 of 1973. Act 34 established a public hearing and referendum process to address high construction costs and improve accountability. It applies to both new construction projects and substantial additions. School districts *must* comply with the Act 34 requirements *regardless* of whether their construction project is eligible for PlanCon reimbursement.

However, the Department would still actively monitor compliance with Act 34 in the proposed new steps of the process. PlanCon approval letters and guidance would continue to remind

districts that that they must comply with Act 34 requirements during the construction process or risk having all of the project's state reimbursement voided. As a result of these assurances, the Advisory Committee concluded that eliminating Part I would achieve a more streamlined process without negatively impacting accountability with the Act 34 public engagement process. Appendix ABC provides greater detail regarding Department review activities and the school district submissions that would be required as part of the proposed 4-step PlanCon process.

Modernizing the Process

- ***Recommendation: PDE should implement a web-based application and data collection system.***
- ***Recommendation: Allow electronic submittal of required documents via Internet.***

A remnant of the era in which the current PlanCon process was established, the technology referenced in statute and used in practice is badly outdated and undermines the efficient operation of the program. For example, currently, statute mandates that school districts submit, and the Department collect records in microfiche format. Similarly, PlanCon statutory language explicitly requires that building doors open outward. However, the enactment and universal implementation of building codes have obviated the need for that provision.

The following statutory and regulatory provisions currently affect the PlanCon administrative process and are proposed to be eliminated by the Advisory Committee:

- ***Capital Account Reimbursement Fraction (CARF) –*** Section 25-2575.1 (b) incorporates CARF into the PlanCon reimbursement formula, which is multiplied by the Commonwealth's final reimbursement share. Refer to the formula section of this report for a description of how this provision is proposed to be replaced.
- ***Doors to open outward –*** Section 7-739 requirement has been comprehensively addressed, replaced by requirements in the current building code.
- ***Microfilm requirement and the requirement to submit any final documents –*** 22 PA Code 349.18 establishes that a condition of receiving Commonwealth reimbursement for PlanCon Projects is the submission of microfilmed project plans, drawings, bid specifications and addendums. This provision would be repealed as part of the recommendation to allow electronic submittal of required documents.

Appendix XYZ provides a comprehensive description of which PlanCon process provisions are statutory, which are implemented in regulations, and which are directed by policy.

With the widespread adoption of computer technology in school districts across the State, as well as the advent of internet-connectivity in the decades since the PlanCon process was last updated, the Commonwealth has a unique opportunity to dramatically improve the efficiency of one of its most complex financing programs.

The Department currently has no comprehensive mechanism for collecting school construction data electronically. Likewise, the school construction payment system, known as LEAPS, is outdated to the degree that the Commonwealth's Information Technology Office can no longer support it. The Department testified that it would be in favor of developing a web-based system that would function as an interactive data collection platform.[8] A comprehensive system that performs this function will lead to more accurate information regarding PlanCon projects, and better reporting through the analyzing of payment data. In addition, it would allow school districts to upload information directly into an Internet-based electronic form, similar to the Department's Consolidated Financial Reporting System, greatly simplifying an applicant's interface with the PlanCon program.

This new electronic system would accomplish the following goals:

- Permit school districts to submit their applicable school construction project information through an online portal;
- Serve as a data interface with the Department's subsidy payment system so that reimbursements can easily be calculated;
- Allow for easy reporting on project data, including design elements, construction status, estimated costs and reimbursements.

As part of the transition to the new PlanCon administrative process and reimbursement calculation, the Department would close projects completed under the prior PlanCon process, where many years have passed since project completion, but a final project accounting has not been submitted. In these instances, it is essential to eliminate any residual, unresolvable financial liability from the program and ensure a transparent and accountable budgeting moving forward.

It is likely that the General Assembly will need to extend the current PlanCon moratorium until June 30, 2019 to allow for the legislative enactment, regulatory and policy updates, and program implementation to begin in the Fiscal Year 2019-20.

[8] Testimony of Danielle Mariano, Bureau of Budget & Fiscal Management, PDE (January 25, 2017)

Findings and Recommendations:

High Performance Building Standards

Over recent decades there has been an increased focus on creating sustainable buildings. This movement has expanded into school construction and renovations at a rapid pace. Across the United States, communities are promoting the creation of sustainable components to both preserve the environment for future generations and create better learning environments for students. With a general promise of increased efficiencies, schools are considering these projects for the environmental benefits as well as future cost-savings and reduced maintenance. Some school districts in Pennsylvania have also decided to follow this movement, which was also recognized legislatively through enactment of an incentive in the PlanCon reimbursement formula.

Recognition of the green building movement in the Commonwealth began over a decade ago with the passage of Act 46 of 2005. This Act established the current PlanCon environmental incentive which allows for a ten percent (10%) incentive if a school district certifies either Leadership in Energy and Environmental Design (LEED) Silver or above or Green Globes certification. Upon enactment, this incentive was applied retroactively to all projects which qualified, provided they had not yet gotten Part J (Final Project Submittal) approval. According to the Department, the amount reimbursed for this incentive between fiscal years 2003 through 2016 is about $64 million with approximately 109 different projects qualifying for the incentive. It is important for districts to be able to build efficient, sustainable buildings which, despite a possible increase in upfront cost, would save the taxpayers significantly over time. Testimony provided to the Committee reiterated the need for long-term efficiencies for schools.

As the Committee received written and verbal testimony, the importance of recognizing high performance building standards was evident. In response, the Committee created a subcommittee on the topic which met several times to discuss the role of these standards in school construction and, more importantly, to the reimbursement process. At the end of this process the Subcommittee and later the Committee as a whole agreed on four recommendations regarding high performance building standards.

1. Recognize LEED and Green Globes as high performance building standards.
2. It is the intent of the Committee to improve building standards by allowing the Secretary to recognize other high performance building standards that are comparable to or exceed LEED and Green Globes.
3. Provide a ten percent (10%) incentive in the reimbursement formula for projects that certify use recognized high-performance building standards.

4. Require projects seeking the high-performance building standards reimbursement incentive to provide projected return on investment for utilizing high performance standard versus code construction which must show a positive return on investment over the building's lifetime.

The Committee felt that each of these recommendations was important for school construction reimbursement in the Commonwealth.

Identifying High Performance Standards

- ***Recommendation: Recognize LEED and Green Globes as high-performance building standards.***

LEED and Green Globes are the two most identifiable green building rating systems. These systems differ in their approach and levels of ratings, but both seek to inform sustainable, energy efficient building materials and process for all types of projects.

LEED certification is a globally recognized symbol of sustainability achievement. LEED, which can be used for almost all project types is the most used green building rating system across the world. The framework is based on the goal of creating healthy, highly efficient and cost-saving green buildings. Projects pursuing LEED certification earn points across several categories including energy use and air quality. Based on the number of points achieved, a project then earns one of four LEED rating levels: Certified, Silver, Gold or Platinum[9].

Green Globes certification is a nationally recognized green rating assessment, guidance and certification program. This program is a science-based building rating system which relies on both prescriptive measures and performance metrics to validate projects have achieved a variety of sustainability requirements. Green Globes employs a science-based rating system in which a project can earn a certification which includes a ranking ranging from one to four globes[10].

- ***Recommendation: It is the intent of the Committee to improve building standards by allowing the Secretary to recognize other high-performance building standards that are comparable to or exceed LEED and Green Globes.***

Many testifiers brought up the ability for the program to "change with the times." It is important to keep this in mind for high performance building standards as well. As new programs are developed and implemented it is imperative that the PlanCon program can adapt, to that end, the Committee's recommendation allows for that possibility.

Although LEED and Green Globes certifications are the most widely recognized environmental certifications for buildings, other programs are also beginning to gain traction and become

[9] "United States Green Building Council," https://new.usgbc.org/leed (January 2018)
[10] "Green Building Initiative," https://www.thegbi.org/green-globes-certification/why-green-globes (January 2018)

more widely used among schools. One such program, The Collaborative for High Performance Schools (CHPS) was originally founded as a collaboration of California's major utilities to address energy efficiency in schools, but quickly expanded to address all aspects of school design, construction and operation. According to their website over 200 schools across the United States have been built using CHPS' high performance school standards and 13 states have created a state-specific building standard adapted for their climate and applicable local building codes.

As technology evolves and emerging high performance building standards are proven to enhance schools through efficiency and sustainability this program will be able to evolve by allowing the Secretary of Education to evaluate each new standard and determine if it makes sense for Pennsylvania school districts.

Incentivizing High Performance Standards

- ***Recommendation: Provide a 10% incentive in the reimbursement formula for projects that use recognized high performance building standards.***

The current incentive for LEED and Green Globes certification is ten percent (10%), if the project achieves LEED Silver of above or Green Globes 2-globes or above, and the Committee felt that the percentage should remain the same. This incentive was added in order to assist school districts financially to build or renovate in sustainable ways.

It is important to incentivize school districts to build and renovate using sustainable and energy efficient products. Improving not only the outside environment over time, but also creating a healthier learning environment for the students. Alex Dews, Executive Director of the Delaware Valley Green Building Council, testified that not only do green materials improve air quality and the learning environment inside and outside of the building, there typically is also long-term savings. He also cited several studies which link student achievement and performance to learning environment.

The United States Environmental Protection Agency (EPA) has published several documents on the importance of high-performance buildings and has drawn the conclusion that there is a direct effect on learning. The EPA has found that children in classrooms with high outdoor air ventilation rates tend to achieve higher scores on standardized tests in math and reading than do children in poorly ventilated classrooms. Concurrently, the presence of dampness and mold increase the risk of asthma and related adverse respiratory health effects in buildings by 30-50%. Also, schools without a major maintenance backlog have a higher average daily attendance rate by an average of 4 to 5 students per 1,000 and a lower annual dropout rate by 10 to 13 students per 1,000[11].

[11] "3 Ways Indoor Air Quality in Schools Affects Learning," https://e-airllc.com/3-ways-indoor-air-quality-schools-affects-learning/ (August 2016)

Saving Tax Payer Dollars

- ***Recommendation: Require projects seeking the high performance building standards reimbursement incentive to provide projected return on investment for utilizing high performance standard versus code construction which must show a positive return on investment over the building's lifetime.***

The Committee, although looking to promote sustainable buildings, also must consider the financial impact of decisions on the taxpayers of the Commonwealth; it is important to consider the fiscal implications of the recommendations. It is understandable that many times efficiency measures can have a larger up-front cost, but over time save money. To ensure the high performance building standards, make economic sense, the Committee is requiring that for a project to qualify for the incentive, an overall cost savings is realized.

These programs not only contribute to the sustainability of the environment, but also to lowering the cost of the physical operations of the schools. The U.S. Green Building Council released a 2015 Green Building Economic Impact Study which quantified the economic value of green building and LEED construction. This study reported that in addition to significant job creation in green construction fields, that between 2015-2018 there would be an estimated aggregate savings of $2.4 billion in energy costs due to the reduced cost of operations of green buildings. Although this study looked at all green construction, it still demonstrates that overall energy cost to schools using green building standards should be lower than without.

During the course of the Committee's hearings, testimony was provided supporting the cost savings to districts due to high performance standards. Jim Gaffney, Vice President of Goshen Mechanical Contractors, Inc., highlighted a chiller replacement in a high school using energy efficiencies which demonstrated a savings of $30,000 in one cooling season, given the project cost was $210,000 and the life expectancy of the new unit is 15-20 years, the school district will realize considerable savings and enjoy lower maintenance requirements. Doug Rohrbaugh, Principal in Charge, Crabtree, Rohrbaugh & Associates Architects reiterated that many energy efficient projects pay for themselves in six to eight years and the district realizes savings for the remaining lifespan of the project.

As good stewards of the Commonwealth's taxpayer dollars, it is a necessity to ensure that any higher up-front cost due to green building and efficiency projects provides a positive return on investment in the long run for the districts. Even though there will be a bit of an increase in the initial expense, over time, the Commonwealth and its citizens will be investing wisely in long-term savings.

Findings and Recommendations:

Maintenance, Repairs and Modernization Projects

Throughout the Committee's hearings, members heard from school business officials, superintendents and teachers on the need for the state to support a school building and maintenance program.

At the May 4, 2017 hearing at the East Penn School District Administration Building in Emmaus, Pennsylvania School Business Officials Executive Director Jay Himes recommended the state's new school construction program include a small projects component. A small projects component could, "incentivize maintenance, provide limited funding to districts struggling with costs not reimbursable under PlanCon and provide long-term savings through energy efficiencies." Jay Himes added that a small projects component could establish criteria that would prioritize maintenance funding based on greatest need and potential energy-savings, as well as the age of the school building or the age of the building components. He also recommended an annual cap on the amount an individual could receive.

At the April 26, 2017 Committee hearing, AIA-PA President Scott Compton, Managing Principal at Klein and Hoffman Architects, presented background on best practices for building lifecycle analysis and for building maintenance. He recommended the state, and local school districts, take a new approach to building maintenance. "Maintenance should not be an afterthought or the unexpected consequence of buildings "value engineered" with the singular focus on reducing first costs." Compton went on to provide a case study from Yale University, which showed three buildings -- one built in 1900, one in 1925, and one in 1950 – that were built well and regularly maintained, and therefore have gone decades before any major restoration occurred. By contract, he highlighted another building on the campus, which was constructed in 1975, and required a major renovation a mere 15 years later.

In school districts with a significant inventory of older buildings, school officials cited the need for a statewide maintenance program. Anthony Hamlet, Superintendent of the Pittsburgh Public Schools, offered a similar suggestion for adding a small projects, or maintenance, component to the state's school construction program during the March 24, 2017 Committee hearing at Plum Borough School District. "Our deferred maintenance backlog is estimated at $192 million. This expense only includes items like roofs, boilers, ventilation systems, etc. The Committee should consider expanding reimbursable projects to include items that address health and safety in buildings."

The Committee heard testimony on November 21, 2016 at Overbrook High School in Philadelphia from the School District of Philadelphia's Chief Operating Officer Fran Burns. She discussed the Facility Conditions Assessment the District had conducted, using the Parsons Engineering firm. Parsons spent eight months examining all of the district's buildings and

outdoor athletic facilities, more than 300 facilities in total. Using nationally recognized facility condition assessment methods, Parsons assessed the physical conditions of the district's facilities, provided the District with a Facility Condition Index for each building, and set up a database management tool to help the district monitor and catalogue building issues and provide a projection of costs to maintain and renovate the district's existing facilities. The final report, issued in January 2017, was distributed to all members of the Advisory Committee. (See Appendix.)

Similar assessments were performed by Parsons for individual school districts – including Los Angeles Unified School District – as well as for school buildings throughout an entire state. Colorado, Arkansas, New Mexico, Kentucky and Texas have all used Parsons to conduct assessments of their school buildings.

Key findings from the report:

- The average age of School District of Philadelphia buildings is 66 years; the national average is 42 years.
- More than 75% of the school district's buildings were built before 1969.
- To address, "deficient conditions" in the school district's buildings would require approximately $4.5 billion.

Devonia Mourning, teacher at Overbrook High School, submitted written testimony at the hearing. Her statement focused on the difficulties of teaching and learning in an old building that needs maintenance and repair.

> "I understand that, with old buildings, there will be challenges. Unfortunately, schools like Overbrook need more attention and preventive maintenance, but receive much less… My classroom sits across from a boys' bathroom where the toilets will overflow onto the floor and into the hallway if a student doesn't remember to lift the handle. Small particles of dust and debris fall from my classroom ceiling if someone is walking or moving a heavy object across the floor above me… Overbrook and other school buildings in our city are in desperate need of attention. I truly hope all of you will do everything necessary to bring attention to this issue and the resources needed for every child to feel good about the schools where they spend most of their days."

Examining Other States

Montana

The Quality Schools Facilities Grant Program is a competitive grant program, administered by the Department of Commerce, which was created to provide infrastructure grants to public school districts in Montana. The program is intended to, among other goals:

- Enhance the quality of life and protect the health, safety and welfare of Montana's public school students.
- Extend the life of Montana's existing public school facilities.
- Promote energy conservation and reduction.

The grants are awarded through a competitive application process open to all Montana school districts. The Department of Commerce prioritizes the applications by examining several criteria, including the need for financial assistance.

Wyoming

Wyoming established the School Facilities Commission in 2002 to "ensure adequate and equitable school facilities throughout the state."

Included in the funding for the Commission is an "emergency contingency account" that provides funding for school districts when the ability of a school district to "provide educational programs required by law is immediately and substantially impacted." The Commission then provides funding from the contingency account for "acquisition or use of facilities, the acquisition of equipment, facility repairs, additional operating expenses incurred in providing temporary measures and other responses to the emergency situation…to enable the district to provide educational programs required by law on a temporary basis until permanent action can be taken to address building adequacy."

Creating a Maintenance and Repairs Reimbursement Program

- ***Recommendation: Develop a small project grant program for needed maintenance and repairs of school facilities to cover the following small projects:***
  - ***Roof repairs and replacements***
  - ***HVAC, boilers and controls***
  - ***Plumbing systems***
  - ***Energy savings projects***
  - ***Upgrades to improve health***
  - ***Emergency projects (defined narrowly as deficiencies that prohibit a school facility from being occupied)***
  - ***Other projects as approved by the Secretary***

In response to testimony heard from stakeholders regarding the ongoing maintenance and repair needs of school facilities that fell outside the scope of eligibility of the PlanCon program, the Committee discussed the development of a grant program targeted to providing funding to small maintenance and repair projects. The Committee recognized the significant annual costs to appropriately maintain school facilities and the consistent pressure to defer maintenance to save costs elsewhere in school district budgets.

Fran Burns, Chief Operating Officer for the School District of Philadelphia, testified to the impact of deferred maintenance in the district, noting that the practice meant that many critical building systems ran beyond their expected useful life. As a result, she noted that "what would have likely been 5-10 buildings requiring a roof replacement, suddenly quadrupled to 20-40 buildings needing replacement and limited capital or operating resources to address the need."

The Committee focused on a specific and limited scope of maintenance and repair projects that could be eligible for state grant funding. This list of projects includes roof repairs and replacements, HVAC systems, boilers and controls, plumbing systems, energy savings projects, projects to improve the health of school facilities, emergency projects and other projects as approved by the Secretary of Education. In general, these projects would not have been eligible for state funding under the PlanCon program unless they were included in a larger renovation project.

The Committee acknowledged the cost of maintenance and repairs on school facilities, noting that the School District of Philadelphia's facility condition assessment (FCA) indicated that there were 12,000 needed repairs across all facilities totaling approximately $5 billion. While on a much larger scale, the Committee recognized that the maintenance needs of the School District of Philadelphia were reflective of the needs in school districts across the commonwealth, the Committee's deliberations resulted in the recommendation that 20% of the annual appropriation for a school building reimbursement program be set aside as grant funding for small projects.

Prioritizing Funding

> ***Recommendation: Develop a funding rubric to prioritize grant awards based upon school district wealth, condition of school facilities, prior small project grant awards and emergency projects.***

Additionally, recognizing the scope of needed maintenance and repairs in the School District of Philadelphia alone, the Committee examined mechanisms to prioritize the available funding for the grant program to the districts that needed it the most.

The Committee discussed the development of a rubric to assist in prioritizing small project grant awards to ensure that funding could be objectively awarded to school districts based on need. As the condition of school facilities and the financial condition of school districts across the commonwealth is not uniform, the Committee considered including both condition of school facilities and school district wealth as part of the objective rubric through which to evaluate applications for small project grant awards. Additionally, the Committee discussed consideration of prior small project grant awards to the district as part of the rubric, as well as consideration of whether the project constituted an emergency, such that immediate funding to cure a deficiency that prevented occupation of a building.

Outlining Reimbursement Structure

> ***Recommendation: Fund the small project grant program with a set-aside of 20% of the appropriations for the school building reimbursement program. Limit the total grant award to a $1 million maximum per project and limit the total grant awards provided to a single school district to no more than 20% of the total funding available for the small project grant program in that year. Require school districts to provide a 50% match of the grant funds awarded for an individual project; this local match will not apply to emergency projects.***

To ensure that the small project grant program would be available to the greatest number of applicants possible, the Committee recommended providing a cap on the total award that could be made for an individual school district project, developing parameters on total grant awards to a school district in one year and ensuring accountability at the local level.

The Committee discussed potential parameters to be included as part of the small project grant program and decided to limit the total award for an individual maintenance or repair project at $1 million to maximize the funding potential of the program. Additionally, recognizing that one school district might seek grant funding for multiple maintenance and repair projects, the Committee discussed a cap on the total annual amount of small project grant funds that one school district could receive in one year, limiting the total amount a district could receive at 20% of the total available for the small project grant program in one year.

While the development of the small project grant program provides significant benefit to school districts in funding maintenance and repair projects for which there was no state reimbursement in the past, the Committee believed it was important to ensure that the school districts had skin in the game and contributed local resources to maintaining, repairing and improving their school facilities. The Committee recommended requiring school districts to match the grant award by at least 50%, committing local resources to their school facilities. This school district match requirement would be waived for grants awarded for emergency projects.

> ***Recommendation: Allocate 50% of small project grant awards on December 31 each year and award the remaining funds no later than June 30 each year. Require the Department to annually transmit grant award information, including scoring, to House and Senate Appropriations Committees.***

The Committee grappled with a timeline and process for reviewing grant applications and awarding funding. Because emergency projects impacting the ability of a school district to occupy a building are a component of this small projects grant program, the Committee recognized that funding needed to be available throughout the fiscal year.

As a result, the Committee suggested a process through which no more than 50% of the total amount of grant awards would be awarded on December 31 of each year, allowing at least 50% of the total funding amount for the small project grant program to remain available to be

awarded by June 30 of each year. This timeline ensures there will be grant funding available for emergency projects throughout the fiscal year, and it also gives school districts sufficient time to assess their facility needs and submit a comprehensive application for a small project grant.

In addition to the awarding of the grant funds to school districts, to ensure that this new program can be appropriately monitored and evaluated in terms of the financial implications for school districts and the state, the Committee suggested that the Department submit annual information about the grant awards provided in the prior fiscal year to the Appropriations Committees in the House and Senate. This information would include the scoring results from the prioritization rubric and any other relevant information regarding the grant awards.

Creating a Statewide Building Condition Inventory

> ***Recommendation: Develop guidelines for voluntary reporting of information by school districts related to building safety, inventory and condition.***

The School District of Philadelphia's testimony regarding their facility condition assessment (FCA) completed in 2015-15, sharing information about the scope of the assessment and the system of prioritizing building systems based on need observed deficiencies and remaining useful life.

Fran Burns testified that the FCA completed for the School District of Philadelphia gave the district a broad picture and critical road map for assessing short and long-term facility needs and helped them formulate and recommend an annual investment plan to begin to address their most immediate facility concerns. Additionally, the FCA helped to align the work and priorities of their district operations and to inform the superintendent's action plan.

During the course of the hearings and the Committee's deliberations, members often lamented the lack of information regarding the overall state, condition and needs of Pennsylvania's public school buildings. No comprehensive, statewide review has been accomplished outside of the feasibility studies completed by school districts applying for state reimbursement through the PlanCon program. As a result, the Committee considered the benefits of developing an FCA for school districts to use to evaluate the condition of their buildings and the infrastructural needs of those buildings.

In his testimony to the Committee, Michael Griffith, School Finance Strategist from Education Commission of the States, stated that is important for states to come up with a way to assesses current school buildings. He indicated that it was critical to identify current building conditions in schools across the state and what buildings need the highest priority of attention. He indicated that most states that have an assessment of building conditions achieve it through a survey completed by school districts.

To move towards a comprehensive inventory of school building conditions, the Committee recommends that the Department develop an FCA, providing a mechanism for school districts

to voluntarily report information about the condition of their school buildings in a uniform and consistent manner.

The information, which school districts would report directly to the Department through the FCA, would include, but not be limited to, an inventory of each building in the district, an assessment of the condition of each building in the district and a projection of costs to properly maintain each building in the district and any repairs or renovation needs of each building. The Department would then post the completed FCAs submitted by school districts on their publicly accessible website.

To encourage the completion of FCAs by school districts at least every ten years, the Committee recommends providing incentives. These incentives would include the accumulation of additional points within the rubric used to evaluate and prioritize maintenance and repair projects for state funding through the small projects grant program for school districts that completed an FCA within ten years. Additionally, an additional two percent reimbursement would be provided through the formula for eligible school construction and renovation projects for school districts that completed an FCA.

According to Michael Griffith, "If you don't know the current status of school buildings, you're not going to be able to come up with a funding system to adequately or properly fund them." Information obtained from the FCAs will be beneficial in assisting the Department and General Assembly in evaluating the financial needs of the program.

Clarification of building and facilities maintenance terms

> ***Recommendation: Department of Labor and Industry clarify the definition of items that are considered "maintenance".***

During the public hearings, the Committee heard from various school districts that there is no consistent differentiation between building and facilities maintenance work and other public works. Current statutory and regulatory requirements are clear that "maintenance work" is not subject to Pennsylvania Prevailing Wage Act requirements. The Committee recommends that the Department of Labor and Industry shall make that information available to PA public school districts to help them understand the difference between "public work" and "maintenance work" based on industry standards and the existing language of the PA Prevailing Wage Act.

School Safety Upgrades

> ***Recommendation: Set aside 5% of the total appropriation available for the reimbursement program to provide grant awards to school districts for school safety projects.***

In the wake of the tragic school shooting in Parkland, Florida in February 2018, the Committee discussed the importance of providing resources to school districts to improve the safety and security of their school facilities. Acknowledging the importance of security related infrastructure modifications in many school districts across the commonwealth and the financial challenges they pose for those school districts, the Committee discussed dedicating 5% of the total appropriation available for new school construction projects to funding school safety and security upgrades through a grant program.

Findings and Recommendations:

School Construction Reimbursement Formula

Individuals that came before the Committee during public meetings presented testimony that focused attention on the reimbursement formula and the factors used to determine the State's share of reimbursement. Comments made by the testifiers and echoed by the Committees' members during questioning focused on a similar theme - the premise of which was that the reimbursement formula is antiquated and the formula should be simple to understand and the factors used should be relevant to current school construction costs and the demographics of the Commonwealth's school districts.

"We believe Plan Con in its present state is severely flawed program. It uses outdated data that really nobody really knows the origin of anymore. Largely that data seems to be irrelevant in terms of calculations to both construction and the reimbursement to schools." Jay Himes, Executive Director, Pennsylvania Association of School Business Officials, East Penn School District, May 4, 2017.

The origins of the current PlanCon process, which provides reimbursements for new buildings, additions to existing buildings and renovations dates back to the enactment of Act 34 of 1973 and includes remnants of older provisions of the law that can be traced back to the 1950s. The formula considers the following factors: (1) the school construction project's capacity; (2) a rating factor or "rated pupil capacity"; (3) a per pupil reimbursement amount; (4) incentives for certain of school construction projects; and, (5) a wealth factor.

School building capacity for school construction projects is based on the lesser of a number determined using a room schedule with assigned weights by building type (elementary, middle and secondary) and classroom type (classrooms, laboratories, gymnasiums, art rooms, music rooms, etc.) and the school district's current/projected enrollments. The rating factor adjusts the project's capacity based upon building type (career and technical centers, elementary schools and technical schools). The rated pupil capacity for career and technical centers and secondary schools is 1.11 and for elementary schools is 1.4.

The per pupil amount for reimbursement is based on the building type (career and technical centers, elementary schools and secondary schools). Generally, for career and technical centers, the per pupil amount is $7,600, for secondary schools it is $6,200 and for elementary schools it is $4,700.

The incentives increase the per pupil amount by ten percent (10%) for each of the following: (1) school construction projects that utilize high performance building standards (LEED Silver and Green Globes 2 Certification); (2) projects that replicate an existing architectural plan available through the School Design Clearinghouse; and, (3) projects that retain existing buildings.

The wealth factor used in the formula is the greater of the school's Market Value Aid Ratio (MVAR) and its Capital Account Reimbursement Fraction (CAFR) with a density factor. The MVAR represents a school's relative wealth (market value), in relation to the state average, for each pupil in a school district. The CARF is a factor that was based upon a percentage of a school district's teaching unit reimbursement last calculated for purposes of school construction reimbursement in 1956.

The current reimbursement formula operates by multiplying the school construction project's capacity, rating factor, per pupil amount for reimbursement with incentives plus ancillary costs for rough grading, sanitary sewage, architect's fees and site acquisition. The amount determined through the formula calculation is then compared to the actual structural cost of the project plus architect's fees and essential movable fixtures and the lesser of the two amounts is determined to be the reimbursable amount. The reimbursable amount is then divided by the total project cost to determine the reimbursable percentage.

Today, most school buildings are financed though long-term borrowings. For school building projects financed through a borrowing, the reimbursable percentage is multiplied by the debt service (principle and interest) for the project and its wealth factor to determine the State share for reimbursement made on an annual or semiannual basis.

For projects that are additions or renovations to existing buildings, the reimbursement operates similar to that of a new building. But, the formula amount is prorated based upon a comparison of the area of the existing building and the area of the completed facility.

ADD CURRENT FORMULA GRAPHIC

Formula Components

Per Pupil Amount Recommendations:

1) ***Determine a base per full-time equivalent (FTE) reimbursement amount using the state median structural cost of completed school building projects during the last five (5) years as determined by the Department of Education.***
2) ***At present, the Department of Education calculates this amount to be $18,251.***
3) ***Recalculate base per FTE reimbursement every five years.***

The per pupil amounts used in the existing formula calculation to determine reimbursement by building type were initially established in Section 2574 (Approved Reimbursable Rental for Leases Hereafter Approved and Approved Reimbursable Sinking Fund Charges on Indebtedness)

of the Public School Code of 1949 at $2,200 for career and technical centers, $1,100 for elementary schools and $1,700 for secondary schools. These amounts were subsequently increased a number of times over the years until last being updated in Act 46 of 2005 to $7,600 for career and technical centers, $4,200 for elementary schools and $6,200 for secondary schools.

During the Committee's public hearings, testifiers questioned the relevance of the per pupil amount to actual construction costs. The Committee heard that the per pupil amount for reimbursement should be adjusted regularly for inflation. One testifier suggested a method by which to determine the per pupil reimbursement amount based on the cost experience for school construction projects in the Commonwealth.

"Acquire the actual building construction project cost for a number of projects across the state…. exclude site acquisition and other miscellaneous costs and try to keep with the hard shell costs to try to get a basis we can calculate… then divide by full-time-equivalents to get per pupil costs." M. Arif Fizail, President and Principle of D'Huy Engineering

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In a review of the actual structural costs per full-time equivalent (FTE) for school construction projects in the Commonwealth from 2010 through 2016, the Committee found that the actual structural costs per FTE varied significantly from the current per pupil amount in statute. Below is a chart showing the differences from projects that are purely career and technical centers, elementary schools and secondary schools compared to the current legislated per pupil amounts, which illustrates the differences from the current per pupil amounts.

Building Type	Current Per Pupil Amount	Median Structural Cost
Career and Technical Center	$ 7,600	$ 10,055
Elementary School	$ 4,700	$ 16,977
Secondary School	$ 6,200	$ 19,184

The rating factor in the current formula or "rated pupil capacity," which is 1.11 for career and technical centers and secondary schools and 1.4 for elementary schools adjusts the per pupil amount for each building type upwards increasing the level of reimbursement. When reviewing this factor, the Committee was unable to determine a clear basis for including the adjustment in the formula or learn of a historical reason for the inclusion of the factor. The Department of Education's publication entitled *School Construction Policies and Procedures* characterizes the rating factor as having "no significance."

It should also be pointed out that the rating factor adjustment results in the per pupil reimbursement amounts for elementary schools and secondary schools that are very similar, further confusing the reason for making the adjustment.

Building Type	Current Per Pupil Amount	Rated Capacty	Current Per Pupil Amount X Rated Capcity
Career and Technical Center	$ 7,600	1.11	$ 8,436
Elementary School	$ 4,700	1.40	$ 6,580
Secondary School	$ 6,200	1.11	$ 6,882

In written testimony submitted to the Committee, Jay Himes, Executive Director of the Pennsylvania Association of School Business Officials, suggested that the Committee, "eliminate the specific elementary and secondary weights and dollar amounts … USE one dollar amount for all schools." Presently, based on of the actual structure costs per full-time equivalent (FTE) for school construction projects in the Commonwealth from 2010 through 2016, the median structural cost per full-time equivalent (FTE) for school construction projects is $18,251.

School Building Capacity

Recommendations: Establish School Building Capacity:

1) ***Use the lesser of a school buildings enrollment and the per FTE building capacity.***
2) ***Determine the per FTE building capacity using a room schedule that weighs the FTEs per room based on the cost of each type of room.***
3) ***Use room scheduled developed by the Department's Architect which considers costs.***

During a tour of the Pittsburgh Public Schools Sci-Tech High School on March 23, 2017, Anthony Hamlet, the Superintendent of Pittsburgh Public Schools and his staff expressed concerns with the current PlanCon room schedule which is used to determine school building capacity. They pointed out to the Committee that the capacity assigned to rooms under the current room schedule is not relevant to the actual cost of construction or renovation.

Under the current room schedule, a regular classroom is awarded 25 FTE students of capacity, while a science lab is awarded just 20 FTEs. Dr. Hamlet explained that with the Sci-Tech High School project, the cost for a science lab far exceeded the cost of regular classroom. The cost for a science lab is greater because the lab requires protective hoods, flame resistance surfaces, cabinetry, additional sinks and plumbing for water and natural gas service. Unfortunately, because of the current weighting the school district received less in reimbursement for a lab.

The next day at the hearing on Mach 24th 2017 at Plum Borough School District, Committee members asked one of the panels testifying about the cost differences for specialized classrooms, like science labs. Responding to the questions, Gennaro Piraino, Jr.,

Superintendent of Franklin Regional School District, noted that in his experience with school renovations there are significant cost differences with specialized spaces, specifically science labs and technical education spaces. He also voiced support for placing a weight on the value of specialized spaces and thought it was important to recognize the costs differences as a factor.

"I do think that there should be some type of proportional rating for specialized space." *Gennaro Piraino, Jr., Superintendent of Franklin Regional School District*

Additionally, Jay Himes, testified that, "not all rooms in a school are created equal in terms of their costs … you would think that computer labs, science labs, etcetera would have an additional expense factor."

Mr. Himes also mentioned that the current room schedule allots different FTE weights for elementary and secondary rooms and suggested in written testimony that the Committee, "eliminate the elementary and secondary differences; [and] simplify to use one set of uniform capacities for all school buildings."

Further, the Committee requested that the PDE's Architect James Vogel review the current room schedule and develop a sample room schedule that weighs the FTE for each room type based on the construction cost of the room. Working along with the Architect, the room scheduled below was developed that weighs the FTEs based on the cost of the room.

ADD ROOM SCHEDULE GRAPHIC

Wealth Factor

Recommendations: Establish a Wealth Factor

1) ***Use the greater of the Market Value Aid Ratio and a new aid ratio which utilizes factors contained in the Basic Education Funding Formula.***
2) ***The new aid ratio uses the following factors.***
   a) ***The Median Household Income Index***
   b) ***The Local Effort Capacity Index***
   c) ***The Sparsity-Size Adjustment***
      i) ***School districts that qualify for a sparsity-size adjustment receive an additional 0.1000.***
   d) ***Concentrated Poverty***
      i) ***School districts with concentrated poverty receive an additional 0.0500.***
3) ***Provide for a minimum wealth factor of 0.1500.***

The wealth factor in the reimbursement formula is used to gauge a school's relative wealth and it allows a greater level of state support to be provided to poorer schools. The current formula uses the greater of the Market Value Aid Ratio (MVAR) or the Capital Account Reimbursement Fraction (CAFR) with a density factor. During the hearings, there were concerns raised about the accuracy of the MVAR and particularly about the CAFR and suggestions that a newer measure that more accurately represents a school district's wealth be devised for use in the school construction reimbursement formula.

Market value data is estimated by the State Tax Equalization Board (STEB) and over the years, because of the lack of a consistent reassessment policy across Pennsylvania's 67 counties some argue that the estimated market values are inaccurate. Because the CARF was last calculated in 1956, 62 year ago, it is clearly not a reflection of current circumstances considering regional growth and decline over that period.

Jay Himes, while testifying suggested that the Basic Education Funding formula adopted in 2015, contains factors that could be used as a new wealth factor for school construction reimbursement. He specifically suggested using the Median Household Income Index (MHII) or Local Effort Capacity Index (LECI) or a combination of both factors.

> "Take some combination of district's wealth and tax effort and use that rather than using these 1956 measures that have not been updated." *Jay Himes, Executive Director of Pennsylvania School Business Officials.*

Considering the testimony, the Committee's members worked to develop a new wealth factor based on the concepts contained in the Basic Education Funding formula. The new factor specifically uses the MHII and LECI, sparsity-size adjustment and concentrated poverty.

The MHII measures a school district's median household income compared to the statewide median household income based on United State Census data.

The LECI measures (1) a school district's local effort based on local tax-related revenue and its median household income compared to the statewide median and makes an adjustment for excess spending based on a school district's current expenditures per total student-weighted ADM and (2) a school district's ability to generate local tax-related revenue based on personal income and market value compared to the statewide median local tax-related revenue per total student-weighted ADM.

The Sparsity-Size adjustment measures a school district's sparsity and size relative to the other 500 school districts and makes an adjustment to the weighted student count for small rural school districts.

Concentrated poverty is defined as a school district with 30% or more of its students living below the Federal poverty line.

Further, the new factor wealth is calculated as follows: (1) multiply the school district's MHII by its LECI; (2) divide the state median of the products for all school districts in step 1 by the school district's product from step 1; (3) determine the greater of subtracting 0.5 from 1 and multiply the difference by the school district's quotient in step 2 and 0.1500; (4) add 0.1000 if the school district is eligible for the sparsity-size adjustment and 0.0500 if the school district qualifies for concentrated poverty.

ADD NEW WEALTH FACTOR GRAPHIC

Adjustment Factor

Recommendation: Establish an Adjustment Factor

1) ***The adjustment factor shall be set by the General Assembly and the Governor from 0 to 1 to determine the State share of the base per FTE amount.***
2) ***Consideration shall be given to provide for a consistent level of funding from year-to-year for school districts planning future projects.***

During the Committee's consideration of the per pupil amount, Committee members expressed concern about the cost of a new program for school construction given the differential in the current program's reimbursement level and current construction costs.

A new program would be another draw on already scarce State resources. However, the Committee also believed it was important that when a construction project is undertaken, the Commonwealth should not allow the funding for a particular project to fluctuate from year-to-year to ensure that school districts are able to obtain financing and a healthy bond rating.

As means to provide cost control and stability for school districts, it was suggested that the new formula include an adjustment factor. The adjustment factor could be set by the General Assembly annually as a fraction of the per pupil amount/structural costs per median FTE and would be changed only for new projects seeking reimbursement.

Payment Amount

Establishing Payment Processes and Amounts

Recommendations: Payment Schedule and Maximum Payment Amount

1) ***State share cannot exceed 65% of school building project's structural costs.***
2) ***Divide state share into 20 equal payments to be made over 20 years***

The Committee learned from testimony at the hearing at North Penn School District on May 4, 2017 that when a project is financed through debt under the current PlanCon process, the reimbursement is recalculated on an annual basis considering the school district's current wealth, debt service schedule and refinacings. This process requires a school district to submit multiple fillings annually and Department of Education to calculate each reimbursement. The constant recalculation causes unpredictability for school districts in budgeting and places an administrative burden on staff of the PDE that collects the project information and performs the calculations.

In written testimony provided by Jay Himes, it was suggested that the formula reimbursement determine a total amount payable to school districts "over a period of time in equal annual payments." For example, 20 equal annual payments over 20 years, the typical period for school construction bonds. This more simplistic approach would provide greater predictability, eliminate the administrative burden for the school districts and the Department.

In addition, Committee members expressed concerns that a new reimbursement program's cost needed to be contained otherwise the program would never be implemented or may be repealed shortly after enactment. To guard against the formula driving unsustainable costs, it was suggested that there be a cap placed on the amount of reimbursement based on a percentage of the building project's structural costs.

Formula Calculation

Recommendations: Formula Calculation

1) ***Multiply the Per Pupil Amount by the Adjustment Factor by the Building Capacity by the Wealth Factor to determine the State share.***

Throughout the Committee's review of the PlanCon process, the members heard testimony that the formula for reimbursement for school construction projects needed to be simple to understand, relevant to current school construction costs and the demographics of the Commonwealth's school districts. Given the findings and recommendations discussed earlier in the section of the report, the Committee developed the following formula calculation.

ADD NEW FORMULA GRAPHIC