



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 210

PRINTERS NO. 693

PRIME SPONSOR: Grove

COST / (SAVINGS)

FUND	FY 2014/15	FY 2015/16
General Fund	\$0	See "Fiscal Impact"

SUMMARY:

House Bill 210 makes numerous changes to the Public School Code primarily concerning school construction and the state reimbursement process for school construction. It would take effect in 60 days.

ANALYSIS:

In Section 731 of the Public School Code this legislation requires the Department of Education (PDE) to provide an electronic database on its website for the purpose of providing public access to information on public school construction and reconstruction projects, building purchases and charter school lease reimbursements submitted for the approval of, or approved by, the Department of Education. It also adds that school districts need not seek Commonwealth approval for a construction project if the district is not seeking Commonwealth reimbursement for that project.

House Bill 210 adds a new section to the Public School Code to be known as Section 731.2, "Accountability and Reducing Costs in Construction Process." It requires that, no later than July 1, 2016, the Department must develop and implement a process, including standardized forms and procedures, to be used by school districts to apply for Commonwealth reimbursement for school construction and reconstruction projects. It will be called the Accountability and Reducing Costs in Construction, or ARC Con Process. In developing this process, the Department must separate the process into five benchmark steps which are detailed in the bill. School district projects must be reimbursed by the Department in the order received, with one exception. Projects from school districts in financial recovery status may be given priority over other projects.

This new section requires school districts to develop a complete districtwide facility study of all district educational facilities, including the district administrative offices. This must be completed prior to, and within five years of, the initial date of submission to the PDE of an application for Commonwealth reimbursement of a school construction project. The content of the study is detailed in the legislation.

In order to receive reimbursement through ARC Con school districts must complete and submit to PDE a cost-benefit analysis of each project. This analysis must present substantial evidence of the necessity of a new building, if a new building is proposed, as compared to a building expansion or renovation.

Under this new section, school districts will not be eligible for Commonwealth reimbursement of school construction or reconstruction projects for any existing building which is less than 30 years old or for which a Commonwealth reimbursable project has been approved by PDE within the preceding 30 years. However, exceptions to this rule are provided for natural disaster, fire, flood, mold contamination, a criminal or terrorist attack, or an extraordinary and unanticipated increase in student enrollment.

School districts will not be eligible for Commonwealth reimbursement of school construction or reconstruction project costs for any existing building where the cost of expansion or renovation of the building, excluding costs for building purchase, movable fixtures and equipment, asbestos abatement, roof replacement, site development, and architect fees, is less than 40% of the replacement value of the entire building. In current law this is at 20%.

The ARC Con process must be automated as much as possible so documents can be submitted electronically and there can be no requirement that documents be submitted on microfilm.

The Department must develop rules and guidelines within one year for this program.

Currently, under Section 732.1 of the Public School Code, PDE has completed a preliminary analysis of the Commonwealth's school districts' school facilities and future capital needs and submitted it to the General Assembly. This legislation would require PDE to complete that analysis and submit it to the General Assembly by May 1, 2016.

For projects for which completed initial applications are submitted to PDE on or after July 1, 2016, supplementary reimbursements for using designs from PDE's school facility design clearinghouse and "green" building certifications are eliminated. For such projects reporting requirements related to PDE's design clearinghouse are eliminated as well.

The bill amends the reimbursement calculation to eliminate the use of the capital account reimbursement fraction.

House Bill 210 adds a new section to the Public School Code to be known as Section 2581, "Lump Sum Reimbursement for Construction or Reconstruction." It creates a process by which school districts can receive lump sum reimbursements from the Commonwealth for construction or reconstruction projects if they choose to, but there is no penalty for a district that does not opt for a lump sum payment. The lump sum payment can be no greater than 75% of the total allowable construction or reconstruction reimbursement.

Finally, this legislation provides that for FY 2015-16 and each fiscal year thereafter, the State Public School Building Authority must assist school districts in refinancing projects that are

receiving State reimbursement in order to make additional funds available with which to provide State reimbursement to new projects.

FISCAL IMPACT:

The various provisions of House Bill 210 will have an impact on Commonwealth finances as described below:

The implementation of an internet database to provide public access to information on public school construction and reconstruction projects, building purchases and charter school lease reimbursements will have a fiscal impact on the Department, as will the requirement that the construction reimbursement process be automated as much as possible so documents can be submitted electronically. The Department estimates these information technology changes will cost \$1 million to \$1.5 million over two years to implement. Ongoing maintenance and administration costs are estimated at \$100,000 per year.

The ARC Con process in House Bill 210 is essentially a streamlined version of the PlanCon process in current law. The goal is to make the approval and reimbursement process more efficient for PDE and school districts. This should ultimately produce savings for all parties involved, but data are not available to produce a reliable estimate of those savings at this time.

The section providing school districts the option of taking a lump sum reimbursement for construction projects, and the requirement that the State Public School Building Authority assist school districts in refinancing projects, could free up funding within the program to advance projects more quickly through the reimbursement process. However, the amount that might be made available will depend upon the number of school districts that choose to take advantage of these options, and cannot be estimated at this time.

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Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.