



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 700

PRINTERS NO. 1074

PRIME SPONSOR: Browne

### COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
General Fund	\$0	See Fiscal Impact

#### SUMMARY:

Senate Bill 700 amends the Public School Code concerning miscellaneous provisions relating to institutions of higher education and construction and renovation of buildings by school entities. Effective dates vary by provision.

#### ANALYSIS:

Senate Bill 700 adds two new articles to the Public School Code, one concerning institutions of higher education and another relating to construction and renovation of buildings by school entities.

New article XX-I concerns miscellaneous provisions relating to institutions of higher education. It establishes the Public Higher Education Funding Commission to review and make recommendations related to higher education funding, affordability, effectiveness, administration and operations, including the development of a higher education funding formula. This 19-member commission will be composed of the chair and minority chair of the Appropriations and Education Committees of the House and Senate, as well as the Secretary of Education, the Deputy Secretary for Postsecondary and Higher Education, and an individual from the administration appointed by the Governor. The Commission must hold its first meeting within 45 days of the effective date of this Article and issue a report of its findings and recommendations not later than one year from that effective date. The report must include the proposed higher education funding formula and draft legislation based on the commission's findings. The higher education funding formula developed by the commission shall not go into effect unless the formula is approved by an act of the General Assembly.

The General Assembly will provide administrative support, meeting space and any other assistance required by the commission to carry out its duties in cooperation with PDE. The department must provide the commission with data, research and other information upon its request. The state's public institutions of higher education and the Pennsylvania Higher Education Assistance Agency (PHEAA) must also provide meeting space, data, research and other information at the commission's request.

The article on construction and renovation of buildings creates a new school construction and renovation approval process that's divided into four steps: project justification; construction documents; project bid awards; and project completion. In order to facilitate the submission of project documentation for this new approval process, the Department of Education (PDE) is required to develop a web-based application and data collection system that allows school entities to submit required documentation through the internet.

The article allows projects to receive a 10% reimbursement enhancement if they use high-performance building standards. The bill recognizes the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) green building rating system as a high-performance standard. The Secretary of Education may recognize other high-performance building standards, as long as they meet or exceed the LEED standards and provided the school entity can show projections indicating a positive return on investment over the building's lifetime.

The reimbursement formula for construction and renovation projects determines a base per full-time equivalent (FTE) student reimbursement amount using the state median structural cost of completed school building projects during the last five years. At present, PDE calculates this amount to be \$18,251 and it must be recalculated every five years. This amount is multiplied by the school building capacity, which uses building FTE capacity and a room schedule that weights the FTEs per room based on the cost of each type of room. The next multiplying factor in this formula is the wealth factor. The wealth factor is the greater of either the market value aid ratio as defined in current law, or a new factor calculated using the median household income index, local effort and capacity index, sparsity size adjustment and concentrated poverty weight, all elements from the basic education funding formula. All these factors are multiplied together and then multiplied by the adjustment factor, which, beginning July 1, 2020, is set at zero. Therefore, as currently written in SB 700 this formula will always produce a result of zero until this adjustment factor is changed by future legislation.

The maximum payment under this reimbursement formula shall not exceed 65% of a project's structural cost. In addition, a school entity shall receive equal installment payments over 20 years totaling the amount determined for reimbursement under this formula.

This new article also includes a maintenance project grant program to support school entity maintenance projects. No grant award for a maintenance project may exceed \$1 million and school entities must provide a 50% match for each grant awarded, except in cases of an emergency. The program must be funded from a set-aside equal to 25% of the appropriation for school building projects, no less than 20% of the funds allocated to the program must be awarded to projects that enhance school building safety and security, and no school entity may receive an annual allocation of grants that exceeds 20% of the funds available. In any fiscal year when funds are available for grants under the maintenance program, the department must allocate 50% of the set-aside for grants by December 31 and the other 50% not later than June 30 of that fiscal year. The Department of Education must develop an application process and funding rubric in accordance with these requirements.

This legislation also requires the Department of Labor and Industry to make information available to school entities to help them understand the difference between "public work" and "maintenance work" based on industry standards and the Pennsylvania Prevailing Wage Act.

**FISCAL IMPACT:**

Enactment of this legislation will have no adverse impact on Commonwealth funds.

The expenses of the new Public Higher Education Funding Commission can be handled within current budgeted amounts.

Funding for the reimbursement formula for construction and renovation projects and the maintenance project grant program will require an appropriation in the General Fund budget, and additional legislation to increase the adjustment factor in the formula above zero.

The cost for PDE to administer the new reimbursement formula for construction and renovation projects and the maintenance project grant program should be minimal and can be accomplished within the Department's current budget.

Likewise, costs to implement a new web-based application and data collection system for construction and renovation projects should also be minimal and can be accomplished with funds from the department's Information Technology Improvement appropriation.

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**DATE:** June 25, 2019

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