



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 1408

PRINTER'S NO. 1692

PRIME SPONSOR: Schweyer

### COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	\$0	See fiscal impact
CFA Funds	\$0	\$300,000 - \$500,000

### SUMMARY:

This bill permanently ends the original PlanCon program and makes changes to the yet-to-open PlanCon program established in 2019.

### ANALYSIS:

House Bill 1408, Printer's Number 1692, amends Article VII – Grounds and Buildings – of the Public School Code to make permanent the limitation on new applications under the original PlanCon program.

Predominantly, the bill makes changes to the maintenance grant program within Article XXVI-J – Construction and Renovation of Buildings by School Entities – of the Public School Code, which is the new iteration of PlanCon added in 2019. The responsibility of administering the maintenance program, which is renamed the Public School Facility Improvement Grant Program, is changed from the Dept. of Education to the Commonwealth Financing Authority. The list of eligible improvement projects is expanded to include accessibility projects and internet connectivity projects, and an application for funds must meet the minimum cost of \$500,000 for the identified project or projects. The maximum award is \$5 million while the local match for school entities is 25%.

The renamed Public School Facility Improvement Grant Program would continue to receive 25% of any amount appropriated to the Dept. of Education for school building projects under Article XXVI-J, and the bill creates a new Public School Facility Improvement Account to receive that transfer or other funds allocated to the account. No more than 20% of the funds allocated to the improvement grant program in a fiscal year may be used for projects at career and technical centers or intermediate units.

House Bill 1408 removes the limitation on PlanCon project reimbursement exceeding 65% of overall structural costs, and it changes building condition assessments by school entities from a voluntary report every 10 years to a mandatory report every five years. The bill removes the incentives within the maintenance scoring rubric and PlanCon project reimbursement formula for voluntarily submitting a building condition assessment, and instead, a building condition assessment is a prerequisite to receiving PlanCon project reimbursement or an improvement grant award. The adjustment factor in the PlanCon project reimbursement formula is changed from zero to five tenths.

Under current law, the Article XXVI-J PlanCon program, including the maintenance grant program, was applicable beginning July 1, 2023. House Bill 1408 does not adjust the start date but adds an end date of June 30, 2026.

House Bill 1408 takes effect July 1, 2023 or immediately, whichever is later.

**FISCAL IMPACT:**

The Department of Education staff indicated that House Bill 1408 will not impose additional administrative costs on the department relative to posting building condition assessments or processing the new PlanCon project applications.

The cost to the General Fund for opening the new PlanCon program with an adjustment factor of five tenths is indeterminant. School entities receive installment payments over 20 years for approved projects at the calculated state share of the total reimbursable amount of the project. The overall cost will depend on the number and scope of PlanCon project applications that receive Part 3 approval during the three-year application window. It is likely that a smaller number of projects would receive approval in 2023/24, as reimbursement does not begin until after the third stage of the application process. However, a significant number of projects could receive approval before the program closes on June 30, 2026. According to the active project log required by Act 25 of 2016 for the old PlanCon program, the median total project cost for currently active projects is \$17.3 million and the median reimbursement amount is 29.5%.

House Bill 1408 updates the framework for the Public School Facility Improvement Grant Program, but it does not include an appropriation for program grants. Therefore, the fiscal impact is limited to the administrative costs for the Commonwealth Financing Authority (CFA), which will have to develop guidelines, review applications, process and monitor grants, and issue grant award reports. Assuming a high volume of applications, it is anticipated that the CFA will need three to five additional staff members, with annually recurring personnel-related costs estimated to be \$300,000 to \$500,000. Currently, the CFA pays personnel costs using interest earned on cash accounts, which can also absorb the personnel costs associated with House Bill 1408.

Staff from both the CFA and Department of Education indicated that the three-year sunset provision may impact future staffing decisions.

For school entities, the opening of the PlanCon program and the Public School Facility Improvement Grant Program represent potential new state revenue streams. The cost of conducting required building condition assessments will vary entity to entity depending on the school entity's number of buildings and current frequency of conducting building condition assessments. According to an internet search, the cost of a building condition assessment will depend on the scope of the assessment, the age of the building, and other factors and will likely cost several thousand dollars per building.

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**DATE:** June 26, 2023

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