

1
2 COMMONWEALTH OF PENNSYLVANIA
3 HOUSE OF REPRESENTATIVES
4 EDUCATION COMMITTEE

5 MAIN CAPITOL BUILDING
6 ROOM 140
7 HARRISBURG, PENNSYLVANIA

8 PUBLIC HEARING
9 HOUSE BILL 2124
10 PlanCon

11 MONDAY, MARCH 31, 2014
12 10:03 A.M.

13 BEFORE:

14 HONORABLE PAUL CLYMER, MAJORITY CHAIRMAN
15 HONORABLE JIM CHRISTIANA
16 HONORABLE HAL ENGLISH
17 HONORABLE MIKE FLECK
18 HONORABLE MARK GILLEN
19 HONORABLE SETH GROVE
20 HONORABLE BERNIE O'NEILL
21 HONORABLE KATHY RAPP
22 HONORABLE MIKE REESE
23 HONORABLE DAN TRUITT
24 HONORABLE JAMES ROEBUCK, MINORITY CHAIRMAN
25 HONORABLE MIKE CARROLL
HONORABLE SCOTT CONKLIN
HONORABLE PATRICK HARKINS
HONORABLE MARK LONGIETTI
HONORABLE ERIN MOLCHANY

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ALSO PRESENT:

HONORABLE MIKE PEIFER
HONORABLE BRAD ROAE

DAVID TRANSUE, MAJ. SENIOR EDUCATION ADVISOR
KAREN SEIVARD, MAJ. SENIOR LEGAL COUNSEL
JUDY M. D. SMITH, MAJ. ACTING EXECUTIVE DIRECTOR
JONATHAN BERGER, MAJ. RESEARCH ANALYST
ELIZABETH MURPHY, MAJ. RESEARCH ANALYST
EILEEN KRICK, MAJ. LEGISLATIVE ADMIN. ASSISTANT
MICHAEL BIACCHI, MAJ. RESEARCH ANALYST
CHRIS WAKELEY, MIN. EXECUTIVE DIRECTOR
MARLENA MILLER, MIN. LEGISLATIVE ASSISTANT

BRENDA J. PARDUN, RPR
REPORTER - NOTARY PUBLIC

1	INDEX	
2	NAME	PAGE
3	OPENING REMARKS MAJORITY CHAIRMAN CLYMER	5
4	OPENING REMARKS MINORITY CHAIRMAN ROEBUCK	7
6	REPRESENTATIVE SETH GROVE PRIME SPONSOR, HOUSE BILL 2124	7
7	CAROLYN DUMARESQ, Ed.D. ACTING SECRETARY PA DEPARTMENT OF EDUCATION	13
9	JAY HIMES EXECUTIVE DIRECTOR PA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS (PASBO)	34
10	DR. WAYNE MCCULLOUGH CHIEF FINANCIAL AND OPERATIONS OFFICER SOUTHERN YORK COUNTY SCHOOL DISTRICT	35
11	SHAWN SAMPSON BUSINESS MANAGER TITUSVILLE AREA SCHOOL DISTRICT	38
12	STEPHEN M. SWARNEY, J.D. EXECUTIVE DIRECTOR PA CHAPTER OF THE AMERICAN INSTITUTE OF ARCHITECTS (AIA PA)	67
13	RICHARD KARCHER AIA, NCARB, AIA PA BOARD OF DIRECTORS EXECUTIVE VICE PRESIDENT MCKISSICK ASSOCIATES ARCHITECTS	67
14	VERN L. MCKISSICK, III AIA LEED AP, ARA, CFP PRESIDENT MCKISSICK ASSOCIATES ARCHITECTS	70
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

INDEX

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
	NAME																							
	DR. JOSEPH ROY							95																
	SUPERINTENDENT																							
	BETHLEHEM AREA SCHOOL DISTRICT																							
	PA ASSOCIATION OF SCHOOL																							
	ADMINISTRATORS (PASA)																							
	JOHN M. CALLAHAN							106																
	SENIOR DIRECTOR OF GOVERNMENT AFFAIRS																							
	PA SCHOOL BOARD ASSOCIATION (PSBA)																							
	JAMES P. GAFFNEY							119																
	GOSHEN MECHANICAL, INC.																							
	MEMBER OF THE CONCERNED CONTRACTORS																							
	OF PENNSYLVANIA																							
	CHAD C. HARVEY							124																
	EXECUTIVE DIRECTOR																							
	MID ATLANTIC BX (MABX)																							
	TERRENCE MCDONOUGH							130																
	EXECUTIVE DIRECTOR																							
	GENERAL CONTRACTORS ASSOCIATION OF																							
	PENNSYLVANIA (GCAP)																							

SUBMITTED WRITTEN TESTIMONY

* * *

(See submitted written testimony and handouts
online.)

P R O C E E D I N G S

1
2 MAJORITY CHAIRMAN CLYMER: Well, good
3 morning everybody, on this beautiful, sunshiny day
4 here in the Commonwealth of Pennsylvania, in
5 Harrisburg. Good to see a number of staff and
6 house members with us as the House Education
7 Committee looks at a bill, 2124, that deals with
8 ArcCon, an opportunity for school districts,
9 hopefully, to find ways, by reducing the
10 bureaucracy and making increasing funding, to get
11 their buildings built. That has been in an
12 important issue for many of the five hundred school
13 districts here in Pennsylvania. And we're here to
14 look at this legislation.

15 Before I call on the prime sponsor to
16 give remarks, I thought it would be appropriate to
17 have everyone here introduce themselves, and that
18 way we can be familiar, that is, our honored
19 guests, with those who are sitting here.

20 So, I'm going to start to my right,
21 with Jonathan.

22 MR. BERGER: Jonathan Berger, House
23 Education Committee.

24 REPRESENTATIVE GROVE: Seth Grove, York
25 County.

1 MS. SMITH: Judy Smith, executive
2 director, House Education Committee.

3 MAJORITY CHAIRMAN CLYMER: Paul Clymer,
4 chairman.

5 MINORITY CHAIRMAN ROEBUCK: Jim
6 Roebuck, Philadelphia County, Democratic chairman.

7 REPRESENTATIVE ENGLISH: Good morning.
8 Hal English, Allegheny County.

9 REPRESENTATIVE RAPP: Good morning.
10 Kathy Rapp, Warren, Forest, and McKean counties.

11 REPRESENTATIVE CARROLL: Mike Carroll,
12 Luzerne and Monroe counties.

13 REPRESENTATIVE LONGIETTI: Good
14 morning. Mark Longietti, Mercer County.

15 REPRESENTATIVE GILLEN: Good morning.
16 Mark Gillen, southern Berks County, soon to migrate
17 into northern Lancaster County.

18 REPRESENTATIVE TRUITT: Good morning.
19 I'm Dan Truitt, from the greater West Chester area
20 in Chester County.

21 MAJORITY CHAIRMAN CLYMER: Elizabeth,
22 do you want to start?

23 MS. MURPHY: Elizabeth Murphy.

24 [Inaudible.]

25 MAJORITY CHAIRMAN CLYMER: Brad, do you

1 want to say --

2 REPRESENTATIVE ROAE: Representative
3 Brad Roae. I used to be on the Education Committee
4 but not this session.

5 MAJORITY CHAIRMAN CLYMER: Well, we
6 welcome you anyway.

7 At this time, I am going to recognize
8 Chairman Roebuck for opening remarks as well.

9 MINORITY CHAIRMAN ROEBUCK: Thank you,
10 Mr. Chairman.

11 I certainly look forward to the
12 discussion today as we focus on a very important
13 topic. I bumped into a former staff member for
14 this committee on my way over the morning, and he
15 mentioned that although he'd been gone from the
16 committee for a long time, this was a topic that he
17 was well familiar with because it was a recurring
18 theme for the committee. So, hopefully, we're
19 going to move forward today and move towards a
20 solution. So, I look forward to the discussion.

21 And thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN CLYMER: The chair
23 thanks the gentleman and recognizes Representative
24 Grove for comments on his bill.

25 REPRESENTATIVE GROVE: Good morning.

1 Thank you, Mr. Chairman, Chairman Roebuck, and my
2 fellow colleagues who serve on the House Education
3 Committee.

4 This morning we gather to -- see,
5 they're already excited about this bill. It's
6 amazing. Yes.

7 This morning, we gather to hear
8 testimony on House Bill 2124 and PlanCon. House
9 Bill 2124 addresses the challenges that have
10 developed and escalated over a period of years in
11 the process of the Commonwealth's reimbursement for
12 school construction.

13 House Bill 2124 amends the Public
14 School Code to provide for a modern, simplified,
15 and financially stable process of reimbursement and
16 would further call for the appropriation of state
17 money to address the backlog of school construction
18 projects awaiting reimbursement.

19 When a school district undertakes a
20 major construction project and seeks reimbursement
21 from the Commonwealth, a process known as PlanCon
22 is initiated. PlanCon, an acronym known as
23 Planning and Construction workbook, is a set of
24 forms and procedures used by the school districts
25 to apply for Commonwealth reimbursement.

1 The PlanCon process, which is not in
2 statute, is overly cumbersome for school districts,
3 requiring the Department of Education approval at
4 eleven separate stages. The process is full of
5 antiquated requirements exemplified perfectly by
6 rules still on the books which mandates the
7 submission of plans and bid specifications on
8 microfilm.

9 Additionally, PDE is currently unable
10 to meet its financial obligations to school
11 districts under PlanCon. According to a May 2013
12 report by PDE, PDE would be approximately twenty
13 million short of being able to reimburse all
14 approved projects if school districts were to file
15 updated paperwork on those projects.

16 Further, of the three hundred fifty-
17 four unapproved projects now working their way
18 through PlanCon, two hundred and three are being
19 bottlenecked due to financial constraints. PDE has
20 estimated it would need approximately 1.2 billion
21 dollars to completely reimburse all three hundred
22 fifty-four projects.

23 These challenges in the school
24 construction reimbursement process have been
25 escalated for years, beginning under the Rendell

1 administration.

2 In response, the legislature imposed a
3 moratorium preventing the department from accepting
4 any new applications for construction reimbursement
5 for the 2012-2013 and '13-'14 fiscal years. The
6 governor now proposes extending this moratorium for
7 the upcoming fiscal year. The moratorium may avoid
8 exacerbating the problem; however, it does nothing
9 to resolve the Commonwealth's unsustainable
10 financial obligations under PlanCon, especially
11 when the associated line item has been level funded
12 for the past three years.

13 It's crucial to recognize that even the
14 most radical reforms to our system of state
15 reimbursement for school construction projects or
16 even the complete elimination of the current system
17 will not relieve the Commonwealth of its existing
18 obligations to school districts for projects in the
19 reimbursement process.

20 I believe the legislature must begin
21 working to resolve the Commonwealth's construction
22 reimbursement challenges. To this end, House Bill
23 2124 would overhaul the reimbursement process.

24 The highlights of my bill are as
25 follows. It sets a ceiling for an appropriation of

1 additional hundred million dollars for school
2 construction reimbursement; provides for a public
3 database on the department's website, providing
4 information about school construction and
5 reconstruction projects, building purchases and
6 charter lease requirements; establish a simplified
7 process for school districts to apply for
8 construction reimbursement, to be known as
9 Accountability and Reducing Costs in the
10 Construction process, or ArcCon.

11 Among other reforms, ArcCon will
12 require reimbursements to be made in the order of
13 PDE approval unless the secretary prioritizes a
14 project of a financial recovery school district,
15 provide reimbursement for a new building only if a
16 cost benefits analysis indicates the cost to
17 construct does not exceed the cost to renovate
18 existing buildings or if the district can
19 demonstrate that a new building is necessary,
20 require automation of the ArcCon process, eliminate
21 the microfilm requirement, allow school districts
22 that begin a construction project during the
23 moratorium on new applications to apply for
24 reimbursement following the expiration of the
25 moratorium, provide for interest payments to school

1 districts on artificially delayed reimbursements,
2 and allow a lump-sum reimbursement to equal to 75
3 percent of the total eligible reimbursement with
4 school district agreement.

5 These reforms started with the
6 department's May 2013 report on PlanCon, which
7 everybody has in their packet, and their
8 suggestions for reform.

9 I then met with stakeholders, many of
10 which you will hear from in this hearing, to get
11 their input on how to improve this antiquated
12 process.

13 After months of meetings and drafting,
14 the final product is House Bill 2124. It's a great
15 starting point, but, ultimately, we must move
16 projects forward, reduce school construction costs,
17 and reform an antiquated system.

18 I thank the committee, again, for the
19 hearing on this important issue.

20 Thank you, Mr. Chairman.

21 MAJORITY CHAIRMAN CLYMER: The chair
22 thanks the gentleman and, at this time, welcomes
23 Carolyn Dumaresq, who is the Pennsylvania
24 Department of Education acting secretary.

25 Before the secretary begins, chair

1 recognizes Representative Jim Christiana and
2 Representative Bernie O'Neill, along with Chris
3 Wakeley, who is staff Democrat. They have joined
4 as well.

5 So, at this time, the chair recognizes
6 Secretary Dumaresq for her testimony on this issue.

7 ACTING SECRETARY DUMARESQ: Thank you
8 very much, Chairman Clymer and Chairman Roebuck,
9 for the opportunity to speak with you today.

10 My testimony is in writing to you, and,
11 actually, Representative Grove took much of what I
12 was going to say, so I'll just hit some highlights
13 of providing data.

14 We, too, would look forward to
15 streamlining the process of PlanCon as much as
16 possible. And our only concern with the
17 streamlining is to make sure that we don't codify
18 something that actually makes it more difficult for
19 school districts to complete the process, and so we
20 look forward to working with you and making sure
21 that doesn't happen.

22 As you know, we have that process
23 that's A through H, obligating the state to pay,
24 once part H is approved. And PDE's oversight or
25 review is really more on the funding side of it.

1 And the department staff calculates the amount of
2 reimbursement for each of the approved construction
3 projects. And that formula, as many of you know,
4 deals with the capacities, the size of classrooms,
5 the debt service, and is built on district wealth,
6 and there's folks here today that explain the
7 formula much better than I.

8 To deal with the issue, there are two
9 pieces of the puzzle that I think it's important
10 for us, and I think Representative Grove
11 highlighted that. One is to determine what we can
12 do to clear the pipeline of those that are in the
13 pipeline and what the costs of clearing that
14 pipeline are. And the other is, going forward,
15 what is the state's role or what should be the
16 state's role in approving projects going forward.

17 So, what I tried to do is to provide
18 you some information about the funding system, as
19 we look at the first part of how to deal with what
20 is already in the pipeline. It is difficult. As
21 Representative Grove's bill points out, there is no
22 database inside the Department of Education. So,
23 whenever you ask questions about the projects that
24 are in line, which is what we have produced here,
25 and when they came in, it's a hand-kept data

1 system. I would greatly like to have a data
2 system, funding for a computer system would always
3 be nice, if the department is requested to have one
4 of those, but it certainly would save staff time in
5 having to keep these -- the information ledger in
6 hand.

7 So, what did we find out when you
8 started asking all the questions about costs and
9 what is left? And what we found out is that when
10 we obviously got here, what we knew is when we took
11 office in 2011, part H, which is where the state
12 has committed funding, was already oversubscribed
13 by thirty million dollars. And so, we have been
14 working our way through plan -- the H, if you
15 will. And, in fact, just as debt service is
16 diminished or debt is paid off, we are able, then,
17 to release. And just this week we released two out
18 of plan H, which was something we haven't been able
19 to do for the past few years, and have about six
20 more that we will be able to afford to release
21 throughout the rest of this year, which is good
22 news. Things are starting to -- unclogging is
23 starting to be in the pipeline.

24 When the moratorium was put on, we held
25 the projects in the pipeline. There was three

1 hundred forty-seven A through G that are currently
2 in the pipeline, which, obviously, causes us to
3 have to spend some time in the long-term
4 sustainability of the program that we have. That
5 is why the moratorium was put on, so that we could
6 work our way through and decide what is the
7 appropriate types of funding.

8 At last count, as I said, there are
9 three hundred forty-seven projects in the pipeline
10 up to plan H, and I -- in the testimony, you can
11 see A through B, D, et cetera, the things that are
12 currently waiting. So, what would that cost as we
13 look at that? We estimate that if we would fund
14 out everything that's currently in H -- and, again,
15 this is a rough estimate, because you would have to
16 go in, you would have to look at whether people
17 have refinanced, whether they have done wrap-around
18 funding, because, at that point, we're funding not
19 projects but debt at that point. But a rough
20 estimate at this point would be two billion to
21 clear H, all the ones that are currently sitting in
22 H. To clear the pipeline of A through G, at this
23 point, we're estimating it was close to 1.7 billion
24 to clear that pipeline out.

25 To begin funding, next year, those

1 projects that are sitting in G, to begin that
2 funding, which could take as much as twenty or
3 thirty years, depending on the length of the debt
4 service, it would be a hundred forty million to
5 clear out G -- begin the funding, not to clear it
6 out. Excuse me.

7 So, consequently, there are two parts
8 of the puzzle that we think are very, very
9 important. One is, again, streamlining the current
10 system with the idea of folks that are through --
11 that are already in the pipeline, A through G, are
12 expecting some type of reimbursement, if not
13 currently the way the system is funded, in fact,
14 have built budgets and are looking for money to be
15 funded for those projects that are in there. So,
16 we need to decide, is it the current system? Is it
17 a prioritization of the system? Is it, as the
18 representative said, some type of payout on a lump
19 sum? And then, how do we afford and what would, in
20 fact, that line item need to be?

21 But I, again, as you see in my
22 testimony, strongly caution that before we try to
23 fix the -- or only are looking at fixing what is
24 currently approved, we need an overhaul of the
25 system to make it manageable for the state, what is

1 the obligation of the state to pay for construction
2 projects that, in fact -- really, our role is to
3 decide the funding, not to decide the merits of the
4 program, as long as it meets the educational needs
5 of the school district.

6 So, it's a system that needs fixed at
7 both ends. How do we fix what we currently owe?
8 What are the options that we have there? And how
9 do we make long-term fixes to the system, so we
10 didn't find ourselves -- if we come up and fix the
11 front part of what's in there, we don't find
12 ourselves right back here in five years, saying,
13 "Oh, my goodness. Look at all we've allowed into
14 the system." And how do we fix that? It's just an
15 unsustainable process going forward.

16 So, again, I look forward to working
17 with you and to working with Representative Grove
18 as he brings everyone to the table to decide how do
19 we pay off the debt that we already owe and how do
20 we look at a process, going forward, that we can
21 afford.

22 I know I speak now with my
23 superintendent's hat on. I found the system very
24 cumbersome, very detailed, costly to get through
25 each of the steps. I applaud streamlining them

1 with flexibility, if we can do that. I'd love to
2 get the department out of the process all together,
3 if that's possible.

4 I think we have uniform building codes
5 that take care of lots of the concerns that when
6 this process was first put in place, that it is, in
7 fact, secure for children, to making sure that
8 those facilities are sure. The creation of the
9 database, if we are going to do that, we'd need
10 funding to do that, but I think that's a reform
11 that we desperately need in order to be able to
12 look at what we have.

13 And, again, I would say, if, in fact,
14 one of the long-term solutions is a role only as
15 administering the funding system that we can
16 afford, the department would welcome any reduction
17 for the field.

18 I'm wondering, though, that if one of
19 the long-term fixes -- and I'm sure it would not be
20 for the folks currently in the system, but as we
21 look forward, we're about to look at a basic
22 constructional subsidy, hopefully, like we did with
23 special ed, to sit down at the table and talk about
24 how to restructure. And, perhaps, one of the
25 systems -- again, with my superintendent's hat

1 on -- perhaps one of the systems that we could have
2 a conversation about is, is there a way, in that
3 reform of basic constructional subsidy, to add a
4 renovation or construction factor that would be
5 given to school districts based on, again, a ratio
6 and a fee factor and the number of students that
7 they have, that school districts could bank in a
8 restricted account, and then, without needing to
9 come through long processes at the department, use
10 that money to fund their future. It would be a
11 reliable source. They would know how much money
12 they had and could plan accordingly. Just one of
13 the things that has been mentioned to me by some of
14 my former colleagues as we go forward.

15 So, I welcome a chance to fix this. I
16 know we have a long list of issues as school
17 districts are looking at more money for basic
18 instructional subsidy. We need more money for
19 special education. We look at trying to fix our
20 pension system and more money into that, and more
21 money here, and how can we prioritize and really
22 look at what's the appropriate role for state
23 government going forward.

24 So, thank you very much.

25 MAJORITY CHAIRMAN CLYMER: Chair thanks

1 the Secretary.

2 We've been joined by Representative
3 Molchany, Representative Harkins, and
4 Representative Reese.

5 It looks like we solved the one
6 problem, and that's the bureaucratic part of it.
7 So, can we kind of scratch that off and now move
8 into the --

9 ACTING SECRETARY DUMARESQ: As long as
10 we make sure, as we think we've solved it, we
11 haven't -- are currently guidelines that the
12 department tries to be very flexible on, on site
13 acquisitions and those types of issues, that we
14 haven't made it worse. The flexibility should be
15 the key of what we're looking for.

16 MAJORITY CHAIRMAN CLYMER: Well, I
17 think, this morning, we'll find out whether we have
18 made this worse or not.

19 ACTING SECRETARY DUMARESQ: I sure
20 they'll have lots of suggestions.

21 MAJORITY CHAIRMAN CLYMER: I'm very
22 optimistic that Representative Grove has given a
23 good piece of legislation here.

24 ACTING SECRETARY DUMARESQ: And we
25 thank him for his interest in something that's very

1 important.

2 MAJORITY CHAIRMAN CLYMER: We have,
3 yearly, two hundred ninety-six million that is put
4 into the --

5 ACTING SECRETARY DUMARESQ: Currently,
6 the authority in sinking fund -- rental and sinking
7 fund.

8 MAJORITY CHAIRMAN CLYMER: So, Madam
9 Secretary, you had indicated that there's just a
10 few that moved through. But wouldn't there not be
11 some school districts that have just, you know,
12 maybe only a need of four or five million dollars?
13 It seems to me like two hundred ninety-six million
14 dollars is no small piece of the pie, and, yet, we
15 seem to be moving just a few through.

16 So, can you maybe give us a little bit
17 more of a breakdown?

18 ACTING SECRETARY DUMARESQ: Yeah. It
19 would seem that we could move more through, but
20 what happens is, once you approve at H, you have to
21 go back and calculate the years since you've had --
22 what you owe. So, for example, one of the
23 districts we released was Lancaster, but if you
24 take a look at the back payments plus what we would
25 owe for the last two years, it was a four-million-

1 dollar issue, and then would be about six hundred
2 thousand dollars going forward, until we sunset
3 that bond issue. And, again, I don't have the
4 details on how long that financing is that they
5 have. But that would continue until we sunset that
6 debt for them.

7 MAJORITY CHAIRMAN CLYMER: Thank you.

8 At this time, the chair recognizes
9 Chairman Roebuck.

10 MINORITY CHAIRMAN ROEBUCK: Thank you,
11 Mr. Chairman.

12 Madam Secretary, do we have a census of
13 the school buildings across the Commonwealth?

14 ACTING SECRETARY DUMARESQ: We are in
15 the process of gathering that information. It was
16 part of a report that we had done to the general
17 assembly to go out and do a survey. And that
18 survey has just gone out, to take a look at the
19 facilities and the condition of those facilities.
20 So, we will have a better idea for you.

21 REPRESENTATIVE ROEBUCK: Certainly,
22 representing the largest school district in the
23 Commonwealth, and I look at my district, where you
24 have buildings that are old, very old. My local
25 high school, which was just replaced two years ago,

1 the original section of that high school was built
2 in 1911. It was expanded and completed in 1925.
3 So, in effect, you had a ninety-nine-year-old
4 building functioning -- or not functioning very
5 well. But that's not atypical for my city, where
6 buildings were built generally in a sequence. So,
7 you have buildings of the same age built at the
8 same time, and, now, most of those buildings are
9 probably in need of major renovation and
10 replacement.

11 I'm wondering how this particular
12 proposal would impact a district with major, major
13 needs as opposed to -- or perhaps my district is
14 not unique -- but how do we come up quickly to
15 address what seems to be a fairly serious problem
16 in terms of making school buildings adequate for
17 the needs of children?

18 ACTING SECRETARY DUMARESQ: I don't
19 think Philadelphia is unique in having old
20 buildings. Maybe in the number of old buildings.

21 MINORITY CHAIRMAN ROEBUCK: Number of
22 old buildings.

23 ACTING SECRETARY DUMARESQ: Yes. But
24 I think many districts, even ones that I've been
25 superintendent and have buildings that were built a

1 long time ago. I think part of what is, I see,
2 inside the bill is some decision guidelines that
3 would need to be made on whether the cost of
4 renovation, because the structure is sound but the
5 infrastructure would need to be done, versus new
6 construction. And that's always a balance that the
7 local school district needs to make on what's the
8 best investment for that.

9 MINORITY CHAIRMAN ROEBUCK: In terms of
10 projecting, what -- do you have just a rough figure
11 of the number of buildings you could reasonably
12 anticipate being able to replace in a single year?

13 ACTING SECRETARY DUMARESQ: No.
14 Because, again, that would depend on what, in fact,
15 the report, the financing, the request comes
16 forward. I don't have that data on what we would
17 do. We're going to know the numbers of buildings
18 and the conditions of the building and the census
19 of the schools, but we would not know that until
20 that report is finished.

21 MINORITY CHAIRMAN ROEBUCK: I would
22 just wonder that with five hundred school
23 districts, if even a quarter of them had major
24 demands, how we even could conceive the amount of
25 money we would need to address those needs, even if

1 it's only 10 percent, the amount of money needed,
2 it's got be substantial.

3 And my concern certainly is that
4 buildings need to be safe. They need to be up to
5 date in terms of the ability to put into them the
6 things that kids needs to learn, whether an old
7 building's much more difficult to retrofit even
8 with the capacity to get what you need. So, as we
9 discuss this, I'm certainly looking for a handle, a
10 way, a plan that effectively says we can address
11 those concerns and reassure the people of the
12 Commonwealth that we have something that is going
13 to give them the hope that in a reasonable amount
14 of time that all schools will at least be within
15 the range of what they should be.

16 ACTING SECRETARY DUMARESQ: And, again,
17 that data, we hope to have at least the status of
18 the buildings, when, in fact, we're finished with
19 the survey. I don't have that data now.

20 MINORITY CHAIRMAN ROEBUCK: And when do
21 you anticipate that will be back?

22 ACTING SECRETARY DUMARESQ: I don't
23 know. We sent the survey out just a few weeks
24 ago. I'm trying to recall when the deadline of
25 that coming back in, but hopefully by the end of

1 the year.

2 MINORITY CHAIRMAN ROEBUCK: Thank you.

3 MAJORITY CHAIRMAN CLYMER: The chair
4 thanks the gentleman and recognizes Representative
5 Grove.

6 REPRESENTATIVE GROVE: Thank you,
7 Mr. Chairman.

8 Madam Secretary, thank you. Appreciate
9 your comments. And completely agree. We need a
10 wholistic approach, short term, long term, and make
11 sure we're not in this predicament ever again for
12 further administrations, whoever else has to deal
13 with this.

14 I just want to kind of go over your
15 numbers real quick. The May 2013 report had three
16 hundred fifty-four projects. It's currently three
17 hundred fifty-seven. Do you know what happened to
18 those other seven projects? Did schools withdraw
19 their applications?

20 ACTING SECRETARY DUMARESQ: They could
21 have, yes. That could be what happened.

22 REPRESENTATIVE GROVE: Okay. And then,
23 there's two hundred three projects in G. To move
24 all two hundred three projects from G to H, that
25 will be a hundred and forty million dollars?

1 ACTING SECRETARY DUMARESQ: Yes, for
2 the first year, the new money that would need to be
3 funded for that first year.

4 REPRESENTATIVE GROVE: Okay. And then,
5 also, in the May 2013 report, I believe the cost
6 estimate was 1.4 billion dollars for everything in
7 part H. That's now up to --

8 ACTING SECRETARY DUMARESQ: Oh, no.
9 I'm sorry. It's approximately two billion to
10 completely fund everything that's currently in H;
11 and to clear the pipeline up through G, it would be
12 1.7.

13 REPRESENTATIVE GROVE: Okay. Thank
14 you.

15 Kind of going back. Obviously, part of
16 what you're discussing at a preliminary level is
17 trying to shift over to basic education, trying to
18 do school construction in that. Could we get to
19 that point with the amount of projects we have in
20 the pipeline? I'm trying to think long term on how
21 you try to clear out the backlog and then move,
22 basically, school construction to basic ed, moving
23 forward, because you're going to have your --

24 ACTING SECRETARY DUMARESQ: Donut hole.

25 REPRESENTATIVE GROVE: -- all that

1 money we do in basic education and then trying to
2 do construction on top of that, we're looking at,
3 you know, potentially two billion dollars on the
4 backlog and then whatever moving forward. How do
5 we coordinate those two to try and clear out and
6 then do a new approach?

7 ACTING SECRETARY DUMARESQ: I think
8 they're two separate issues that you need to deal
9 with and not try to solve them overlapped with each
10 other. We need to decide how we clear the pipeline
11 and how we pay that out and what are the options we
12 have of paying that out and whether there's
13 priorities for paying that out, and that's the
14 conversation. I think, you've made some
15 suggestions inside the bill.

16 The second issue is going forward.
17 Considering that we freeze what we have, and then
18 look forward to what might be, that's where I'm
19 thinking that basic instructional subsidy may be
20 the answer going forward.

21 REPRESENTATIVE GROVE: Okay. And just
22 to throw this out. Obviously, this is a "what
23 if." What if we did do the hundred forty million
24 to move projects from G to H and continue the
25 moratorium for another year, what would be the end

1 result in that? What do you think?

2 ACTING SECRETARY DUMARESQ: I'm not
3 sure what you mean by -- people in G would be very
4 happy.

5 REPRESENTATIVE GROVE: Yeah. Yeah.

6 Would we be able to sustain that long
7 term? I mean, is that something that would work to
8 try to move projects forward, clear it out?

9 ACTING SECRETARY DUMARESQ: What would
10 happen is, you'd need to commit that hundred and
11 forty as a long-term commitment, and then, as
12 projects sunset out of H, that line item, again,
13 would get less. One of the things you might want
14 to consider is making sure that whatever you put
15 into basic instruction goes in the formula, that
16 this money then gets transferred -- what you don't
17 need gets transferred into the formula.

18 REPRESENTATIVE GROVE: Okay. All
19 right. Thank you.

20 Thank you, Mr. Chairman.

21 MAJORITY CHAIRMAN CLYMER: The chair
22 thanks the gentleman.

23 I want to recognize Representative
24 Conklin, who's joined us this morning.

25 And chair recognizes Representative

1 Longietti.

2 REPRESENTATIVE LONGIETTI: Thank you,
3 Mr. Chairman.

4 Thank you, Madam Secretary, for
5 appearing and your desire and the department's
6 desire to deal with this issue. It's going to take
7 all of us, obviously. This is an issue that I
8 think affects all of us, that, really, in my mind,
9 is a nonpartisan or bipartisan issue.

10 And, really, just more in the form of a
11 comment, I'm sure I'm not unusual in this sense,
12 but I have two school districts that are stuck at
13 G, two different situations.

14 The West Middlesex School District did
15 a renovation project that they really had put aside
16 money to finance their end of it. They tried to be
17 as prudent as possible, saved money and put it
18 aside, and then went into their project. And
19 they've been stuck at H, I think, for about three
20 years. And -- or G for about three years and
21 waiting for that reimbursement fund.

22 On the other end of the spectrum, the
23 Sharon City School District debated for, I think,
24 over ten years whether to renovate or to construct
25 a new elementary school, and the federally

1 qualified construction bonds came along and that
2 allowed them to make the decision to go ahead and
3 build a new Case Avenue Elementary School. So,
4 they've got a little bit of time because they have
5 those construction bonds, but their bill is
6 becoming due as well and is becoming a strain on
7 them.

8 And I've certainly heard from a
9 construction firm in my area who does a lot of
10 school projects, and to Chairman Roebuck's point,
11 time is really our enemy in this, isn't it?
12 Because, as you indicated, the longer we wait for
13 those projects that are backlogged, then we owe the
14 money going backwards, and then we have the school
15 buildings that need renovation, they're waiting to
16 go through this process, and we're just delaying
17 that process as well.

18 So, you know, I just -- I guess I'm a
19 voice here to say, we have got to find a way, all
20 of us together, to find a solution, because I think
21 it's to the best interest of all of us and our
22 school children and our school districts.

23 ACTING SECRETARY DUMARESQ: Thank you.
24 Yes.

25 REPRESENTATIVE LONGIETTI: Thank you.

1 MAJORITY CHAIRMAN CLYMER: Madam
2 Secretary, thank you very much for being with us
3 this morning, for sharing the testimony and taking
4 the questions.

5 As you've indicated, this is an issue
6 that we're going to work equally hard on so that we
7 can have a resolution for our school districts.
8 Thank you.

9 ACTING SECRETARY DUMARESQ: Thank you.
10 And thank you, Representative Grove,
11 for pushing this forward.

12 I would love to stay and listen, but we
13 have the Auditor General visiting me today, so I
14 need to get back.

15 MAJORITY CHAIRMAN CLYMER: All right.
16 Our next testifiers are from the
17 Pennsylvania Association of School Business
18 Officials. We welcome Dr. Wayne McCullough, chief
19 financial and operations officer of the Southern
20 York County School District; Shawn Sampson,
21 business manager, Titusville Area School District;
22 and Jay Himes, executive director of PASBO.

23 So, gentlemen, welcome. And just
24 introduce yourselves as you present your testimony.
25 I'm sure that each of you have testimony for us

1 this morning. It's in our folders.

2 So, you may begin.

3 MR. HIMES: Thank you, Representative
4 Clymer. Thank you, Representative Roebuck. Thank
5 you, Representative Grove and members of the
6 committee. It's our pleasure to be here.

7 I'm Jay Himes. I'm the executive
8 director of the Pennsylvania Association of School
9 Business Officials. We're a statewide association
10 of noninstructional administrators who take care of
11 the hundreds of responsibilities outside of the
12 classroom in order to support students' success in
13 the classroom.

14 Dr. McCullough, Wayne McCullough, from
15 the Southern York County School District, is going
16 to start. I thought it important that we give you
17 two real live examples of what the situation here
18 is and localize them and show the impact on a
19 school district basis. So, Wayne's going to talk
20 about his district, Southern York County. And then
21 we're going over to Shawn. His district is in
22 Venango County. Again, two different districts,
23 two different locations, but this is a statewide
24 problem.

25 So, Wayne will start, followed by

1 Shawn, and then I'll conclude with some comments
2 about the good legislative effort in Representative
3 Grove's bill.

4 DR. MCCULLOUGH: Good morning. Thank
5 you, Chairman.

6 I bring you greetings from Southern
7 York County School District, where we had a
8 two-hour delay this morning due to four inches of
9 snow.

10 I serve the Southern York County School
11 District as the chief financial and operations
12 officer and secretary to the Board of Education.

13 The Southern York County School
14 District began the planning process for additions
15 and renovations to our Friendship Elementary School
16 more than six years ago. The project was vital to
17 our community due to growing enrollment in the
18 school that serves the children of the Glen Rock
19 Borough as well as Codorus Township and updating an
20 infrastructure, including a roof, which dated back
21 to 1958. The project included an update to life
22 safety systems and much-needed energy-efficient
23 movements, including lighting and HVAC.

24 The Southern York County School
25 District entered the PlanCon process with the full

1 expectation that the Commonwealth of Pennsylvania
2 would fund a portion of the project. We filed
3 PlanCon part A, which is project justification, in
4 September 2010, which was approved by the
5 Department of Education in January 2011.

6 PlanCon part G, which is accounting
7 based on actual bids, was filed in June of 2011 and
8 was approved by the department in September of
9 2011.

10 PlanCon part H, which is project
11 financing, which addresses the financing used for
12 the project and also calculates the temporary
13 reimbursement, was filed with the department in
14 August of 2011.

15 Construction began in July 2011 and was
16 completed in December 2012. The total cost of the
17 project was sixteen million four hundred eighteen
18 thousand dollars. We made our first scheduled debt
19 service payment in September of 2011. We expected
20 to receive reimbursement from the Pennsylvania
21 Department of Education in the total amount of 4.7
22 million dollars, which was estimated to be received
23 annually in the amount of between two hundred
24 forty-one thousand dollars and two hundred eighty-
25 three thousand dollars.

1 I mention this because the project was
2 well planned, met all department timelines along
3 the way. We fully expected the reimbursement to
4 also be made in a timely manner.

5 The total amount owed to the Southern
6 York County School District to date is
7 approximately seven hundred forty-five thousand
8 dollars. We have made up for the lack of state
9 reimbursement by using fund balance and reducing
10 staff, including teachers. The lack of state
11 reimbursement has had a negative impact on the
12 financial health of the Southern York County School
13 district, our educational program, and also has
14 placed an additional burden on our local
15 taxpayers.

16 This project was done at a time when
17 state and local leaders were encouraging us to get
18 shovels in the ground as quickly as possible to
19 help stimulate the economy. We did just that. In
20 fact, our project was completed on time and under
21 budget.

22 The Southern York County School
23 District pleads that the commitment associated with
24 PlanCon be kept. We did the right thing. We kept
25 our promise and continue to keep our promise by

1 making payments on our bonds on a regular basis.
2 We ask the department to please keep your
3 commitment to us.

4 While we support streamline and
5 updating the PlanCon process -- it is much
6 needed -- we strongly encourage you, however, to
7 increase the total authority rentals and sinking
8 fund reimbursements line item immediately in order
9 to provide the result of fully funding the many
10 school districts that have been promised much-
11 needed reimbursement.

12 Thank you so much for your time.

13 MR. SAMPSON: Hello. My name is Shawn
14 Sampson, and I'm the business manager for
15 Titusville Area School District.

16 And I'd just like to take this
17 opportunity to discuss with you the impact the
18 moratorium has had on state funding for school
19 construction projects and the effect it has had on
20 our school district and why we believe House Bill
21 2124 provides a path forward for not just the state
22 but for districts as well.

23 The board of directors of Titusville
24 Area School District began having a discussion
25 about renovating Pleasantville Elementary School

1 with our community as far back as 2009.
2 Pleasantville Elementary desperately needed repairs
3 and renovations. The building was last updated
4 thirty-five years ago and much of the
5 infrastructure was worn and outdated. The
6 renovation allowed the district to provide a safe,
7 healthy, 21st century learning environment that was
8 equitable to the other elementary schools in our
9 district.

10 The district entered into the PlanCon
11 process with the understanding that the state was a
12 partner in this renovation project. We also
13 understood that by completing and getting approval
14 of this eleven-step PlanCon process, the state
15 would share in the cost of this construction
16 project.

17 On September 29, 2010, the district
18 received approval of part G, which deemed the
19 project eligible for reimbursement. On November
20 15th, 2010, the district submitted part H, which
21 establishes the temporary reimbursable rate. This
22 is the last approval needed before reimbursement
23 starts to flow from the state.

24 To date, the district has waited over
25 three years for this approval. This means the

1 district has not received any reimbursement from
2 the state for this renovation project, even though
3 the district has complied with the PlanCon
4 process. The district has issued debt, paid its
5 bills, and completed all of its obligations. We
6 simply ask the state to do the same.

7 To date, the state owes the district
8 approximately six hundred seventy thousand dollars
9 in reimbursement, and over the life of the finance
10 of this project will owe approximately 2.5 million
11 for this project. The future effect of this
12 moratorium on funding will likely mean higher taxes
13 and fewer programs for our students.

14 It is only -- the other thing I wanted
15 to mention, too, the -- the deferral or lack of
16 reimbursement will cause a deferral of upkeep and
17 maintenance, which will only drive the long-term
18 costs of our facility infrastructure.

19 While a moratorium may be a legitimate
20 discussion to have during tough economic times, we
21 believe a moratorium should only be looked at for
22 schools that weren't approved for reimbursement.
23 Under no circumstance should the state be able to
24 promise reimbursement, which comes with many
25 strings and mandates attached, and then be allowed

1 to forgo those promises and responsibilities.

2 Like many funding issues, this
3 disproportionately impacts the poorer school
4 districts in the state and has a serious impact on
5 the learning environment of our students. For
6 these reasons, we ask the House Education Committee
7 to support House Bill 2124, with suggested
8 modifications from PASBO.

9 Our district believes that House Bill
10 2124 provides a solution that resolves the funding
11 issue and recognizes the hardships this issue has
12 placed on districts.

13 We also strongly support streamlining
14 of the process and implementation of a website that
15 provides transparency on the status of a district's
16 construction project. We believe many of the
17 improvements made by House Bill 2124 will provide a
18 more efficient, transparent, and cost effective way
19 to approve school reimbursement projects.

20 At this time, I'd like to thank you,
21 Representative Grove, and the House Education
22 Committee, for taking time on this very important
23 issue, and I look forward to answering any
24 questions.

25 Thank you.

1 MR. HIMES: I'd like to turn you to
2 page two of the PASBO testimony. We included a
3 chart in there to give you a look at what the
4 funding history has been for the purposes of
5 PlanCon and school construction reimbursement.

6 And I couldn't agree with Secretary
7 Dumaresq more. This is not a new problem. It's
8 been an existing problem. It's been an existing
9 problem for which we really haven't gotten very far
10 in fashioning a solution. So, we didn't create it
11 overnight, and it didn't get created by a single
12 factor. Obviously, the decline in the
13 reimbursement level from 2009-'10, at three hundred
14 thirty million, to where we are now for '14-'15,
15 which is about where we were in 2006-'07, is part
16 of the problem. Again, it's a multifaceted
17 problem. So, the cut in the state line item in the
18 PDE budget has had a significant effect, but that's
19 not the only thing.

20 We added an incentive for green
21 buildings, so we increased the reimbursement for
22 some projects that were eligible under the green
23 criteria that the legislature approved.

24 We also have lease rental
25 reimbursements paid to charter schools, so that was

1 a new sort of subsection of the line item. So,
2 that's about seven million dollars, I believe, in
3 the most recent fiscal years. So, that got added
4 in there.

5 And then we had the natural economic
6 circumstances, where we had historically low
7 financing rates. And we had, coming off the
8 economic downturn, a good environment in terms of
9 contractors and price, wanting to do work because
10 there wasn't a lot of work at that point. So, it
11 was the perfect storm of how we got to this point
12 in terms of the backlog.

13 So, we cut the appropriation. We
14 increased the eligibility for green schools, for
15 charter school leases, and then we had economic
16 circumstances. So, they all came into play,
17 creating that backlog we now see. But, again, it
18 didn't happen overnight. That's for sure.

19 Turning to the specifics of
20 Representative Grove's legislation, House Bill
21 2124, on the page three of our testimony, we would
22 certainly applaud this effort. Again, it's not
23 just the funding effort. There's a process
24 effort. And I think, if we went back and asked
25 previous administrations, they would all say

1 PlanCon was something probably in need of reform
2 and revisions that nobody just ever got to. So,
3 here we are and an opportunity to do that. And,
4 obviously, we would support an effort in the bill
5 to increase the reimbursement in the line item.

6 Just to give you some context, I mean,
7 it's not just Pennsylvania. In New Jersey, a five-
8 hundred-and-eight-million-dollar initiative is
9 going on in that state. Florida is going to do
10 about six hundred million dollars in school
11 construction. Ohio, on average, about six hundred
12 ninety million dollars in school construction
13 funding. Even Fairfax County in Virginia, a single
14 school district albeit a rather large and growing
15 district, but they've committed eight hundred
16 sixty-six million over a five-year plan.

17 So, school construction's necessary to
18 make sure we have safe schools. It's economically
19 robust in terms of creating jobs. So, you see,
20 many of the states around us are taking that
21 initiative with increased dollars at the state
22 level for school construction or even at the local
23 level.

24 In addition, we would support many
25 other changes in House Bill 2124. Let me go to

1 page four of our testimony in Section 731. This
2 language would create a website, establishing the
3 information about the status of individual school
4 construction projects, the charter school lease
5 reimbursements, and good information for school
6 districts and for taxpayers. It would help school
7 districts plan, as it will be clear where each
8 project is in the funding queue. And as you've
9 heard, we don't really know. We don't know what
10 order there is. We don't know in terms of trying
11 to plan and anticipate when funding could be
12 approved. It's just sort of the black hole that we
13 can't anticipate and plan about when projects will
14 get approved.

15 And, again, this is not something new.
16 It used to be that slow paydays would dictate how
17 fast projects got approved. So, when the state
18 money started getting restricted, then project
19 approvals slowed down to match up the appropriation
20 with the demand.

21 In Section 371.2, which would take the
22 current eleven steps to five steps, we would
23 strongly support that effort. Again, many of these
24 steps were created decades ago, literally. Decades
25 ago. I'm not sure they're all still necessary. I

1 think, in a lot of cases, we have state architects
2 looking at local architects. So, school district
3 pay their architects, and then state architects
4 look at it again. Some may argue that's a good
5 redundancy, but it is expensive. And lot of the
6 measures in there, in this step by step, which I
7 would categorize as a "Mother, may I" approach,
8 because the district has to submit an individual
9 filing, A through H, along the way. The board has
10 to have a meeting to adopt that filing. If it's
11 not a regularly scheduled meeting, they hold
12 special meetings, all to match up those individual
13 steps.

14 So, reducing it to five, I think, would
15 be not only a big help to school districts, but a
16 big help to the department as well. It's certainly
17 a huge step in the right direction, and we would
18 support that.

19 731.2 does have a provision in we'd
20 like to comment on. Right now, when you get to
21 your funding process, the department withholds
22 funds because there needs to be a reconciliation
23 project after you get your initial approval,
24 depending upon the costs that may vary or other
25 things that may occur even after construction is

1 over. Under the bill, that would go to a 20
2 percent withholding as a temporary reimbursement
3 rate for the purpose of trying to get more projects
4 funded at an accelerated rate, and we certainly
5 understand that effort.

6 We used to have a larger withholding in
7 that process. And that led to the auditor general,
8 in 1995, issuing a performance audit of the
9 department, citing the lack of specificity about
10 who this money was supposed to go to that was being
11 withheld and why it was being withheld and not paid
12 out. And, frankly, some of the answer to that was
13 school districts' failure to file. I just want to
14 make a comment about why that happens. School
15 districts obviously don't want to keep money parked
16 in Harrisburg that rightfully belongs to them.
17 But, it's a case that, in the reconciliation, that
18 can take years and years and years. For instance,
19 you could be in litigation about your construction
20 project. Until that's solve, you can't do your
21 final PlanCon J filing. So, it can extend out.

22 Number two, sometimes all of the people
23 intrinsically involved with that school
24 construction project aren't at the district soon
25 after. So, the superintendent may go to be

1 superintendent in another district. The business
2 manager who knew all the finances may have
3 retired. The school board may decide they want a
4 different architect. So, all of the people
5 involved in that construction project on a
6 first-hand basis may no longer be there and don't
7 even realize, then, with the new people and all
8 those key decision-making positions, that, indeed,
9 there is an outstanding PlanCon filing that hasn't
10 been submitted.

11 I wouldn't want to see us return to
12 those days, and so, perhaps, reducing that
13 temporary withholding to a lower rate -- used to be
14 5 percent -- would be a step in the direction of
15 trying to accelerate payments without having a huge
16 withholding in Harrisburg of funds.

17 Over on page six in our testimony, we
18 also say we would support the efforts to look at
19 up-front funding, rather than paying out a
20 reimbursement over the time period that both Wayne
21 and Shawn talked about, because what that would do
22 is, it'd obviously create a huge increase in funds
23 needed up front, but rather than paying it out
24 based on the school district's debt, paying it out
25 on the basis of a one-time payment would eliminate

1 a lot of the cost because you'd eliminate a lot of
2 the debt. So, looking at a process to provide
3 one-time payments like Maryland now does would also
4 be a step in the right direction and certainly we
5 would be interested in any approach that helps
6 reduce school district debt.

7 On page six, Section 731.2 would change
8 the current twenty-year rule to the thirty-year,
9 which would prohibit reimbursement for a
10 construction project on an existing building within
11 thirty years of the last project involving that
12 facility. So, we understand the need, again, to
13 make sure that construction and reconstruction and
14 repairs are made on an efficient basis, but thirty
15 years is a long time in terms of trying to
16 anticipate student enrollment. So, again, school
17 districts aren't in charge of the Municipalities
18 Planning Code process, so developments can get
19 approved, sparking increases in student enrollment
20 that would be hard to look at over a thirty-year
21 period. And then you would have also the emergency
22 situations as well. So, we would have a concern,
23 moving that twenty-year rule to a thirty-year rule
24 in Section 731.2(e).

25 Section 731.2(f) would change the 20

1 percent rule to 40 percent, meaning that school
2 districts would not be eligible for state
3 reimbursement for a school or reconstruction
4 project for any existing building where the cost of
5 expansion or renovation of the building is less
6 than 40 percent of the replacement value of the
7 entire building. Again, while we understand the
8 goals behind the modification of the rule, we have
9 concerns that it, in effect, may be incentivizing
10 new construction or, at the very least, deferring
11 needed maintenance until the needs of the facility
12 are critical and the costs could be dramatic.

13 Over on page seven, Section 731.2(k)
14 requires PDE to develop guidelines and rules for
15 implementing the new process by July 1, 2015.
16 PASBO recommends consideration of additional
17 language that would provide a time period for PDE
18 review for either approving or notification of
19 requesting additional information. That would
20 certainly, again, help in the planning process and
21 the timelines.

22 Over on page eight, Section 732.1(c),
23 we want to make sure that we have crystal clear
24 language, because as a result of the moratorium --
25 and the moratorium from a statutory perspective

1 went into effect October a year ago -- not this
2 past October, the preceding one -- but we've had
3 sort of this de facto moratorium from lack of
4 payments for more than three years now. So, the
5 formal moratorium has really put those with
6 projects in limbo, because they can't submit, they
7 don't get their steps approved, and so, a district
8 that had to undertake a project from October a year
9 ago has no assurance that anything applies at this
10 point. Do they go back and submit their A to
11 whatever process they're in now? Are they funded?
12 Or what rules are there? Is -- there's, again, a
13 great deal of uncertainty about projects after the
14 statutory moratorium. What is their status? And
15 will they be eligible for funding?

16 So, we applaud the effort to make sure
17 it's clear that those districts, like every other
18 school district before the moratorium, would be
19 eligible for reimbursement under the rules then in
20 place.

21 At the bottom of page eight, the
22 Section 732.2 makes clear that school districts
23 that have submitted PlanCon applications to receive
24 part H approval and subsequent state reimbursement,
25 yet have been trapped in part G backlog for over a

1 year following a PlanCon H application, will be
2 eligible to receive interest on those payments.

3 Obviously, as you've heard, the lack of
4 state payments drives up local costs and has
5 created other budget considerations. So, we don't
6 think it's unreasonable to ask for payment of a
7 reimbursement to the district based on the late
8 payment.

9 Finally, Section 2575.1 eliminates
10 something known as CARF. CARF is about as old as I
11 am. I'm not sure anybody knows what it is other
12 than some provision related to PlanCon. I believe,
13 frankly, if you polled many of my members and asked
14 them what CARF was, you'd get a blank stare. But
15 eliminating it is a good idea, because it's an old,
16 antiquated statistical measure for purposes of
17 reimbursement, but it would have an effect because
18 some districts' CARF -- and I can't tell you why --
19 would be greater than their aid ratio, and that's
20 the measure we now use. Either one, use the CARF
21 or the aid ratio.

22 So, in that case, changing the rules
23 may result in lesser reimbursement by eliminating
24 the CARF. So, we would ask that you hold harmless
25 those districts that are already in the pipeline if

1 that's the situation.

2 Finally, we want to, again, thank the
3 fine work of the committee and Representative Grove
4 for moving this legislation forward. I think
5 you've heard a lot from many of your constituents
6 on -- it's a very frustrating process. It's sort
7 of like being in undergraduate school, and you do
8 all your work, you get all your credits. You're
9 sitting there waiting to walk across the stage for
10 graduation, and all of sudden get told, whoop, we
11 can't promise that at this point.

12 So, you heard testimony it's a complex
13 series and everybody's played by the rules, and we
14 need to really take all the efforts that
15 Representative Grove has started in an effort to
16 find a solution to this problem. And we thank you
17 for moving it forward.

18 Again, thanks to Chairman Clymer and
19 Chairman Roebuck for the opportunity to present our
20 comments.

21 We'd be glad to respond to any
22 questions.

23 MAJORITY CHAIRMAN CLYMER: The chair
24 thanks the gentlemen and recognizes Representative
25 Fleck, who has joined us this morning as well.

1 Well, it really seems like the problem
2 is the funding. I mean, that's where we need to
3 try to find a solution.

4 In the testimony, can you tell me,
5 approximately, what percentage of the total cost,
6 if it's a two-million-dollar project is the state
7 funding? I'm not sure I understand that totally.
8 I thought I did. It's like a small percentage, but
9 maybe each of you can tell me, you know, what the
10 state reimburses totally for that project.

11 MR. SAMPSON: To boil it down to a
12 simple number for our project, which was
13 approximately a six-and-a-half-million-dollar
14 project, the state's total reimbursement would be
15 30 percent of the financing costs of that project.
16 And there's a -- through PlanCon, you work to that
17 number, and it has to do, you know, with different
18 things in the process that qualify and don't
19 qualify and also your aid ratio. But ours was 30
20 percent.

21 DR. MCCULLOUGH: Yes, and thank you.

22 Ours was also approximately 30 percent,
23 but it does vary district to district based on what
24 Jay talked about, the CARF number and so forth, and
25 perceived ability for school districts to pay. But

1 thank you.

2 MR. HIMES: Chairman Clymer, statewide,
3 very wealthy communities with very low aid ratios,
4 such as some of your Bucks County districts, are
5 probably getting less than 10 percent. They're
6 getting single digit reimbursement on the total
7 project. You heard two 30 percents. Very poor
8 districts might be as high as 40 or 45, generally
9 speaking.

10 MAJORITY CHAIRMAN CLYMER: Chair
11 recognizes Representative Carroll.

12 REPRESENTATIVE CARROLL: Thank you,
13 Mr. Chairman.

14 Gentlemen, thank you for being here
15 today.

16 You know, I think the chairman has it
17 right. This is a financial discussion that we're
18 going to have today.

19 With respect to Representative Grove
20 and his desire to streamline the process, my
21 suspicion is there's won't be too many objectors to
22 that effort, but we get back, then, to the
23 discussion of finances. And at current, the
24 administration has proposed a two-hundred-
25 forty-million-dollar increase in the Ready-to-Learn

1 block grant program. Both of your school
2 districts, my suspicion, will be beneficiaries of a
3 block grant relative to that program. But the flat
4 funding of PlanCon will result in you probably
5 being able to sit at a table again next year and
6 tell the same story.

7 And so, just in the hypothetical world,
8 if you would entertain this, would it be preferable
9 for Titusville or Southern York to have the PlanCon
10 line increased at the expense of the Ready-to-Learn
11 block grants line?

12 MR. SAMPSON: Yeah, there's a couple
13 big issues there. The -- obviously, when it comes
14 to the PlanCon and the reimbursement of school
15 facilities, it's a very important issue and we want
16 to see that funding. I think one of the indirect
17 benefits or disadvantages that maybe we haven't
18 talked about, and that why I think Representative
19 Grove bringing this issue here is so important, is
20 without a resolution to this, schools continue to
21 be able to not plan for the future. And what ends
22 up happening at our level is we have a building
23 that we really probably would enter into starting
24 to update and renovate, however, we sit there and
25 think, well, maybe PlanCon's going to come out of

1 this problem in a year or two, so we'll sit on the
2 sidelines and wait. And that process continues
3 until, you know, there's a resolution one way or
4 the other to get -- either we're not going to get
5 future reimbursements or we are. And then we can
6 move on.

7 That's one of the -- I wanted to point
8 that out as an indirect issue here is, we need to
9 know how we're going to be moving on into the
10 future.

11 As far as the additional money as far
12 as where we would like to see it, we have our own
13 concerns with the block grant. The Plan -- in my
14 mind, the PlanCon money is a known quantity. We
15 know we did the work for it. We know we should get
16 it. So, obviously, we want that. The block grant,
17 as a business manager, I have concerns that it's
18 putting money somewhere where we're going to have
19 to obligate for programs that we may not be doing
20 now, and then we're owning those projects or
21 programs, and then that money gets cuts some day.

22 So, that's a concern I have now. I
23 don't know if I answered you directly, but I really
24 feel we need the money for the PlanCon because we
25 did what we were supposed to.

1 REPRESENTATIVE CARROLL: Sounds like a
2 yes to me.

3 DR. MCCULLOUGH: Thank you,
4 Representative. Very good question and a difficult
5 question, also.

6 First, I think the PlanCon money is
7 very, very important, obviously, not only at a
8 current level, but it is also money that we're
9 falling behind as we've used fund balance now or
10 reduced staff to make that up. So, I think it is
11 very, very important to get current with that level
12 of funding that we have expected.

13 In terms of the grant money, while I
14 appreciate and think the grant money would be
15 helpful to school districts, I think probably, more
16 importantly, most school districts would agree that
17 we need -- we need an effective, stable, and
18 predictable basic education subsidy that we can
19 count on on a regular basis.

20 Thank you, sir.

21 REPRESENTATIVE CARROLL: Well, I guess
22 I appreciate that. The reality is, my guess is
23 that when it comes to the districts that are
24 approved for part H, my guess is that they would
25 trade the block grant money for the PlanCon money

1 in no time at all. And for the districts that are
2 in the pipeline, they think about it for a little
3 while. And the ones that have no projects, of
4 course, would probably surrender the PlanCon
5 increase in favor of the block grant program.

6 But this does highlight, again, the
7 real problem that we have. The districts that I
8 represent in northeastern Pennsylvania are really
9 financing state operations here, whether it's
10 PlanCon or whether it's Access or some of the other
11 programs, you know, the school districts are banks
12 for the Commonwealth at this point. And we're
13 relying on the school districts of this state to
14 finance the Commonwealth by virtue of the use of
15 their fund balances that districts prudently put
16 away for the pension increases that were on the
17 horizon. And so now we're going to draw down the
18 fund balances that school districts squirreled away
19 for pension increases to finance construction
20 projects that were supposed to be partially
21 provided for by the Commonwealth financially. And
22 we will just exacerbate the problem when it comes
23 to the pension payment discussion because the money
24 that the districts had put away for that will not
25 be there because of their -- the requirement that

1 they go ahead and pay the fare for the Commonwealth
2 with respect to the money that was supposed to be
3 reimbursed, in your cases, 30 percent.

4 So, I think that, in all reality, we
5 have a financial discussion on our hands here that
6 gets to the whole question of basic education and
7 what this Commonwealth and what this budget's going
8 to say for your two districts and the four hundred
9 ninety-eight others. It's a very serious
10 discussion. This is one component of that
11 discussion, but it's an important discussion
12 because, truthfully, the districts that I
13 represent, they need financial help. And it's not
14 fair for the Commonwealth to point to those
15 districts and yours and say, Well, we're having
16 some hard times here, so you continue to pay our
17 fare, and we'll check back with you in a few
18 years. Grossly and patently unfair.

19 Thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN CLYMER: The chair
21 thanks the gentleman and recognizes Representative
22 Grove.

23 REPRESENTATIVE GROVE: Thank you,
24 Mr. Chairman.

25 And thank you, gentlemen. Appreciate

1 the testimony.

2 I think you hit the nail on the head.
3 Obviously, this is a process that we require for
4 reimbursement. It's not like a grant program that
5 comes and goes at will. I mean, this is: You do
6 this, we shall give you X, Y, and Z funding moving
7 forward.

8 I think it's a critical tool to help
9 school districts with their reimbursement. That's
10 kind of a general question I'd like to get into.

11 How critical is state assistance in
12 construction reimbursement to school districts?
13 Obviously, you have rich or wealthier school
14 districts, poorer school districts. But, in
15 general, how important is that to help you
16 facilitate and move projects forward?

17 MR. SAMPSON: For Titusville, it's
18 extremely important and it goes to the aid ratio.
19 And being a poorer school district, the best
20 example I can give, we currently have an early
21 childhood learning center building that was planned
22 by now to start renovation on. The discussions
23 really haven't even begun on that. And that goes
24 to my point, and that's why I appreciate this
25 hearing. We just need to know what -- what

1 environment we're working in so we can start
2 planning. One way or the other, we know we have to
3 take care of our buildings. But in this
4 uncertainty, to answer your question directly,
5 we're delaying. And I think that costs districts
6 and the state money.

7 DR. MCCULLOUGH: Thank you,
8 Representative Grove. And, again, thank you for
9 your leadership.

10 Again, outstanding question. I know
11 for us at Southern York County, our building was
12 primarily necessary due to enrollment growth in our
13 communities. And without state reimbursement, I
14 think we could have built additional space for
15 children but would not have, at the same time, been
16 eligible to afford much-needed life safety system
17 updates as well as energy efficient updates. And I
18 applaud -- I applaud the addition of the additional
19 funding for the energy improvements in buildings.

20 Our example is that we went from a
21 dollar forty cents per square foot for utilities
22 down to less than 80 cents per square foot on an
23 annual basis for utilities because additional
24 funding allowed us to do those improvements, which,
25 again, will help our local taxpayers long term.

1 So, I think it is critical.

2 REPRESENTATIVE GROVE: I appreciate
3 that. And, obviously, moving forward, I think it's
4 important for the Commonwealth to address the short
5 term and the long term, as we've mentioned.

6 Is there any thought about -- you know,
7 from your delving into this and having to go
8 through the process, is this a program the state
9 just needs to, would you say, eliminate and go
10 through a different process, or, you know, kind of
11 like the secretary's suggestion, put it in basic
12 ed? You know, what's your thought long term? You
13 know, if you got to have it your way, what would
14 you say?

15 MR. HIMES: One thing I would say is
16 that we need to understand the different dynamics
17 that occur across the state. So, we have many
18 districts that continue to grow. We have many
19 districts that are losing enrollment. And so,
20 trying to figure out the equity and fairness of
21 different student enrollment issues, because
22 largely they fuel some of the building
23 rehabilitation, and reconstruction fuels the other,
24 but it would be, I think, difficult to try and make
25 that assessment.

1 Would we like to see an elimination of
2 the sort of "Mother, may I" approach? Certainly.
3 But it's, again, a vexing problem trying to figure
4 out how we would do that in an equitable way.

5 The current system matches up needs at
6 that point with actual construction, as opposed to
7 payments that may be assembled over a period of
8 time and reserved. So, there's a lot of different
9 dynamics that could occur. It's certainly worth a
10 thought. Or funding, like Maryland does, up front
11 versus pay out over a period of time and having
12 districts incur the debt to do that. But I think
13 it's obviously a good suggestion that we pursue.

14 Sitting here right now, it's tough to
15 visualize what particular factors we would have to
16 make sure it's fair to districts across the state.

17 REPRESENTATIVE GROVE: And one final
18 question. A colleague of mine brought this to my
19 attention. Obviously, we look at kind of bigger
20 projects when we talk about PlanCon, either rehab
21 or reconstruction. Would it be feasible to start
22 looking at maybe smaller projects to extend the
23 life of buildings as part of the reimbursement? I
24 mean, I'll throw that out to you.

25 MR. SAMPSON: I think that would be an

1 interesting option to look at because, right now,
2 with the deferrals that we're talking about in our
3 district, one of the things we're looking at is
4 roofs, and maybe -- maybe a different approach as
5 far as smaller projects, maybe we're taking a look
6 at. I think it would be a discussion beyond this
7 meeting that you would have to have. But we
8 certainly have smaller items that are very
9 important in our buildings that we're doing right
10 now.

11 DR. MCCULLOUGH: Yeah. I would agree.
12 And I think that's an outstanding approach in
13 addition to the standard approach to PlanCon. And
14 I think, realistically, the twenty- or thirty-year
15 rule doesn't necessarily always apply to the
16 maintenance and, again, particularly life safety
17 systems and infrastructure.

18 Mr. Himes, I think, said it well.
19 Every school district is so unique. We, for
20 example, at Southern York County, have the largest
21 nonpublic -- nontransient, public water system, you
22 know, in the state of Pennsylvania. So, we have a
23 water system that we support, you know, three
24 thousand people on one campus. So, every system is
25 unique.

1 And a twenty- or thirty-year period for
2 updates to a water system certainly doesn't even
3 make sense. So, the ability to have and look at
4 projects on a project-by-project basis, on more
5 frequency, I think, certainly would serve the
6 Commonwealth well and probably, more importantly,
7 the children of our Commonwealth very well.

8 Thank you.

9 REPRESENTATIVE GROVE: Thank you.

10 Thank you, Mr. Chairman.

11 MAJORITY CHAIRMAN CLYMER: The chair
12 thanks the gentlemen for being with us this morning
13 for your very informative and helpful testimony.
14 And, again, thank you.

15 We've also been joined by
16 Representative Peifer. Though not a member of the
17 committee, we welcome him and his interest in this
18 very important issue.

19 Our next panel of testifiers are from
20 Pennsylvania Chapter of the American Institute of
21 Architects, known as AIA PA. And with us this
22 morning is Vern L. McKissick, III, president of
23 McKissick Associates Architects; Richard L.
24 Kercher.

25 MR. KARCHER: Karcher.

1 MAJORITY CHAIRMAN CLYMER: Karcher,
2 Karcher, executive vice president, McKissick
3 Associates Architects; and Stephen M. Swarney,
4 executive director, AIA PA.

5 So, gentlemen, welcome. And we're
6 anxious to hear your testimony this morning on this
7 very important issue.

8 MR. SWARNEY: Thank you, Mr. Chairman.
9 Good morning to you and to Chairman Roebuck and the
10 rest of the members of the committee.

11 I am Steve Swarney. I'm the new
12 executive director for AIA Pennsylvania. And we
13 really appreciate being able to lend our support to
14 Representative Grove's bill. We appreciate his
15 efforts in this bill and bringing the stakeholders
16 together. We appreciate the opportunity to be part
17 of that and to lend our expertise to this issue.

18 And on a lighter note, with all due
19 respect to the Phillie fans and the Oriole fans,
20 let me be the first presenter to say, "Go, Bucks.

21 With that, I want to turn it over
22 really to our experts, our two members,
23 Mr. McKissick and Mr. Karcher.

24 MR. KARCHER: I'll be the second to
25 say, Go, Bucks and Altoona Curve.

1 Thank you very much. On behalf of AIA
2 Pennsylvania, Vern and I are extremely happy to be
3 presenting information today related to House Bill
4 2124. Vern and I have spent our entire careers
5 designing schools. This has included over two
6 billion dollars worth of PlanCon-regulated building
7 projects. This involves over fifty million square
8 feet that's affected over eighty thousand students
9 who attend our schools each day. So, I'd say we
10 have sixty years of -- over sixty years of combined
11 PlanCon experience.

12 And those of you who are in scouting or
13 were in scouting or have children in scouting, you
14 have a scout handbook. The PlanCon guide has been
15 our handbook for over thirty-five years in our
16 personal lifetime.

17 Before we move forward with sharing
18 some of our thoughts on this bill, we'd like to
19 briefly mention that the PlanCon project and the
20 work through PDE, whether it's new or renovated
21 work, has been declining basically starting since
22 2006. And these past few years has been
23 devastating to our profession, as designers,
24 architects, construction managers, and builders,
25 and anybody else in that profession.

1 I'd like to go over a few items that
2 are a direct result from this gradual decline and
3 extremely -- how it's impacted because of the
4 moratorium over the past two years.

5 Since 2006, our membership has declined
6 approximately 5 percent. Just last year, over five
7 hundred licensed architects, my colleagues and
8 Vern's, have not renewed their registration.
9 That's a staggering number. We're trying to
10 uncover what's happened the previous four years.
11 It's an unemployment issue on our profession.

12 Many Pennsylvania firms, some as old as
13 ninety years of age, had as many as a hundred
14 sixty, a hundred seventy people, they're down to
15 less than three dozen right now. Basically, the
16 school construction has dried up for our profession
17 and related industry. The size of Vern's firm and
18 the one I'm with right now has been reduced from
19 twenty-seven employees to less than ten in less
20 than three years.

21 And I think what's more important is it
22 becomes an employment situation for our graduating
23 student and those children who wish to go into my
24 profession. It's been a great career for my
25 profession and for our colleagues. But right now,

1 students graduating from architectural schools in
2 the state, of which we have some wonderful
3 institutions, are not looking for work in
4 Pennsylvania to do schools -- school design.
5 They're heading to Maryland, Ohio, Virginia, New
6 York and West Virginia, New York City, and North
7 Carolina. So, we're watching attrition continue in
8 our state and employment pick up elsewhere.

9 So, how do we improve upon this
10 situation? AIA believes that a great start would
11 be to pass House Bill 2124, and we'll call hitting
12 a refresh button on PlanCon. It's been a part of
13 our lives, but everything need refreshed. The
14 e-mail, the Gmail needs to be purged out, hit the
15 reset button, and let's do it again.

16 I think we have a bunch of colleagues
17 here today and certainly interested parties in your
18 House that can do this.

19 My partner, Vern McKissick, here will
20 start to talk about some of the changes we think
21 are extremely reasonable, and I think these could
22 be the answers to jump starting a new PlanCon
23 process in the state of Pennsylvania.

24 MR. MCKISSICK: Thank you, Richard.

25 And good morning to all. Thank you for

1 the opportunity to have us here.

2 The -- as you're aware and as we
3 mentioned, the PlanCon process is a series of
4 eleven approval steps that help the school
5 districts in making logical, progressive decisions
6 as we move through.

7 While it's not been substantially
8 reworked since its inception, I think it's been
9 mentioned, over forty years ago, the programmatic
10 educational specifications it contains are a little
11 bit outdated. In our opinion, it has not been
12 completely ineffectual, as some have suggested.
13 Indeed, I would propose that it has been probably
14 the one major contributing factor to establishing
15 equity across all of the schools in the various
16 areas of the state of Pennsylvania, both rural,
17 suburban, and urban.

18 PlanCon has given us, as architects, an
19 excellent tool to guide school boards. Any of you
20 that have worked with school boards before know
21 sometimes that can be like herding cats. Having
22 logical steps to work with a group that may be, for
23 the first time, embarking on construction projects
24 has been a help to us.

25 To a great degree, the failure, I would

1 say, that's been ascribed to PlanCon has more been
2 a question I think, as the one representative
3 indicated, limited funding that's been allocated to
4 it than necessarily the structure.

5 Over the past four decades, the
6 reimbursement from the state per student has been
7 infrequently increased. It was established in
8 1972, increased in 1985, and then again in 2006, as
9 was mentioned previously. And it simply has not
10 kept up with annual inflation or economic growth.
11 This has resulted in the average Pennsylvania
12 school district -- and I don't have this year's
13 figures -- but they have been running well less
14 than 20 percent in terms of state fund, both
15 wealthy districts averaged in with the poorer
16 districts.

17 One of the factors of PlanCon that some
18 say is confusing I think is the fact that there are
19 many checks and balances built into it, which only
20 would operate if funding was at a much, much higher
21 level. Whether it be purchase of furniture, limits
22 on reimbursement for design professionals, and
23 other factors, the money simply hasn't been there,
24 yet we've gone through the calculations and filled
25 out the paperwork year after year and project after

1 project.

2 Again, as I mentioned, much the claim
3 of the PlanCon system's failure is really the
4 disproportionate amount of paperwork and reviews
5 needed by the wealthier districts in the eastern
6 and western portion of our state, where the
7 current -- where their current aid is being indexed
8 to local market value aid ratios, as has been
9 mentioned this morning. In fact, many of these
10 districts have often even approached us about could
11 they drop out of the PlanCon system just to
12 simplify things, save time, and avoid the
13 exhaustive review duration.

14 As an example, the school district of
15 Haverford Township, we designed a new elementary
16 school for them several years. It yielded an
17 effective aid amount of five hundred eighty-six
18 thousand dollars. This was less than 3 percent on
19 a project costing almost twenty-two million
20 dollars, yet all of the pieces and buttons had to
21 be pushed to get through the system.

22 However, before we toss out PlanCon, in
23 contrast, projects on aging facilities in what we
24 call the T, that's west of the Susquehanna River
25 and north of Interstate 80, aid can be upwards of

1 40 percent. In fact, one project recently
2 completing, we're punch listing this week, it's
3 slated to receive 43 percent, at the Mifflin County
4 School District, a relatively poor district in
5 Lewistown. The additional time and effort in these
6 cases has been worth it for those districts.

7 So, as currently written, House Bill
8 2124 proposes to allow districts to opt out of
9 PlanCon by agreeing to forgo aid. I think this
10 will serve to reduce the paperwork burden on those
11 districts in the five counties around Philadelphia
12 and in the areas around Pittsburgh, where money is
13 perhaps not as much an issue, but it will also
14 serve to free up aid, that three hundred eighty
15 thousand dollars going to Haverford or the other
16 small amounts that can go to those truly needy
17 school districts. As such, we fully support this.

18 PlanCon review time has been brought
19 up. And it's being suggested that the steps could
20 be compressed. This will definitely reduce time
21 and expenses at districts. I would, however, note
22 that at one point in time the PlanCon system was
23 actually a very efficient and expedient review
24 process. This was changed when Department of
25 Education staffing was dramatically cut. At one

1 time, multiple review architects and engineers
2 prompted reviews and gave advice to local
3 districts. Today, the departmental review staff is
4 reduced to one, one technical professional.

5 In addition, the institutional
6 knowledge of the PlanCon process, what it was
7 developed for and how it's been used over the
8 years, has been devastated by retirements and lack
9 of consideration for succession of knowledgeable
10 in-house reviewers. Instead, key assignments often
11 fall upon folks who don't understand the system or
12 construction itself.

13 We would caution that regardless of
14 what is done here today, that without ensuring
15 adequate review staffing, even a revised system has
16 the potential to have issues going forward.

17 Elimination of microfilm. That's one
18 that we always laugh. We struggle to even find
19 someone who can still put drawings and
20 specifications on microfilm. Most recently, we had
21 to send it out of state for our last project. That
22 said, we would certainly urge the streamlining of
23 documents, as suggested in the bill, be
24 considered. This could take the form of going even
25 further and allowing electronic submission of

1 PlanCon as well as bid documents, to save both
2 time, money, copying for taxpayers.

3 In reality, in the construction and
4 design industry, we have already transitioned to
5 almost electronic processing of documents. Moving
6 to such an electronic process will also enable easy
7 access to PDE's archives. The last request we made
8 for archives out of microfilm for the Windber
9 School District took four and a half months to
10 retrieve a document for a project ten years ago.

11 Automation of the process and reporting
12 was also suggested. This is one that is close to
13 my heart. In 1992, after not being very good with
14 a typewriter, I developed a set of spreadsheets in
15 something called Lotus 1-2-3, which automated the
16 PlanCon system. After several years of cajoling
17 the department, we donated those spreadsheets, and
18 that became the format for the current PlanCon
19 system. However, I'm amazed that, twenty-two years
20 later, we still cannot submit those forms in
21 electronic format, despite all of that time having
22 elapsed.

23 Transparency. The public database
24 suggestion, absolutely support that. Knowing where
25 a project is, where it is in the process, and if,

1 depending upon the funding formulas, knowing when
2 moneys might flow to your district or to your
3 project is essential, again, in planning.

4 The one thing that we would suggest is
5 that as you work through the bill, that you take
6 very careful look to make sure that the refinements
7 are coordinated with what's called Act 34, or the
8 old Taj Mahal bill, which was not rescinded or
9 placed on moratorium by the recent legislation.

10 Finance assistance to the districts.
11 We certainly would suggest and love to see that the
12 per-people aid amount, as I referred to, is
13 increased to tie into inflation, but being
14 realistic, we know that that's not likely going to
15 happen today. However, serious consideration
16 should be given to the additional a hundred
17 million, if not more, given the need to both clear
18 the backlog and give our districts a view that
19 there's a future and a view that will allow them to
20 begin planning and strategic planning as we move
21 forward.

22 The moratorium, as Rick has indicated,
23 has been devastating to the industry, both design
24 engineers, other affiliated professionals.
25 Construction jobs, if you look at many of these

1 areas, and some of the smaller districts that were
2 here this morning are rural districts, you talk
3 about job creation. I would venture that the few
4 dollars that are actually put out in PlanCon and
5 new allocations per year are probably the most
6 effective job creation stimulus in the rural areas
7 of the state of any program that Pennsylvania has.

8 Retroactive funding, allowing these
9 districts to apply for aid following the expiration
10 of the moratorium, that will also allow districts
11 to begin planning again, taking advantage both of
12 good construction costs and favorable interest
13 rates at this time, and taking, of course, in
14 account changes in demographics.

15 PlanCon part H, you know, we would ask
16 that you do please provided the interest payments
17 to these districts on these artificially delayed
18 reimbursements. The local districts did not create
19 the problem, and they simply trusted the state
20 would honor its commitments, as it has for almost
21 half a century.

22 I'll give you an example. In 2006, the
23 Act 1 budgetary restrictions and reduced effective
24 instructional aid, coupled with the elimination of
25 many of the exceptions that were visualized to be

1 available to district when that was first passed,
2 have presented really an insurmountable and almost
3 impossible challenge for many of our districts.

4 I will use one district for example.
5 Williamsport Area School District, project that was
6 in planning for seventeen years, trusted the state
7 would honor its reimbursement when committing to
8 almost seventy-two million dollars in upgrades,
9 made possible, as we mentioned, by Cuse (ph) Gibbs,
10 trying to put jobs on the street in a three-year
11 period. That project -- you may say, we spent
12 seventy-two million dollars, that's a lot of
13 money. What that allowed them to effectively do
14 was pay for the project itself through
15 restructuring the school district and closure of
16 four schools.

17 Many of the cases we're seeing in the
18 rural districts is a casing of building down to
19 build up, that is, closing buildings. The Mifflin
20 County scenario I mentioned, seven buildings were
21 closed, two buildings renovated. And, again,
22 savings in that district were 6.2 million dollars
23 in operational costs. By not having a PlanCon
24 system in place, not having any clarity for what
25 aid is going to be, districts are not able to

1 optimize.

2 We have a district we're working with,
3 we just finished a master plan, the Erie City
4 School District. In that case, we are looking at a
5 little over three hundred million dollars to take a
6 district which had twenty-three schools, we've
7 closed four, are looking to reconstruct all and
8 close an additional seven. Ultimately, the savings
9 per year expected to be over ten million dollars.
10 Yet, the loss of sixty-seven million dollars, in
11 their case, of potential PlanCon aid has put all of
12 that on hold.

13 And so, we have an idea. We know where
14 we can go, but we can't get there because we just
15 don't know what the system is giving us.

16 The fiscal savings for the state --
17 and, again, we may differ with some of our other
18 folks giving testimony today -- but new versus
19 renovation, I think this is an aspect of the bill
20 which really looks to a cost benefit analysis. Too
21 many times -- and I love to build a new building as
22 much as anyone else -- the knee jerk reaction is it
23 must be new if it's going to be good. We have had
24 experience where we have renovated buildings, both
25 to lead gold standards, green globe standards, in

1 some cases in the middle of sixty years. Many
2 times these buildings are already in infrastructure
3 in communities, they're walkable, and you get into
4 community preservation issues.

5 So, having the analysis of new versus
6 renovation, looking at the true costs I think is
7 very important.

8 The thirty-year rule, we've often heard
9 over the years that school districts keep up their
10 buildings to fifteen years and then they stop
11 maintaining them, waiting for the PlanCon aid to
12 become available. I don't know that that's
13 necessarily the case, but I know that's the
14 perception. But the reality is, most of the
15 projects, major projects we become involved in, the
16 building have been at least thirty years since
17 they've been touched. So, moving from a
18 twenty-year to thirty-year cycle, while will
19 initially slowed down the PlanCon projects, as you
20 talk about clearing the pipeline and reducing the
21 state's commitment, but it will begin to match the
22 more realistic renovation cycle.

23 Now, with that, and I think as has been
24 suggested in the House bill, has been the revision
25 or the allowance for emergency exceptions in the

1 case of a failed mechanical system, fire,
2 structural distress, or something of that nature,
3 which, of course, makes good sense.

4 The final accounting aid withholding,
5 again, the suggestion to increase the amount being
6 withheld, while not desirable for the first three
7 years, since it's a three-year period, increasing
8 it to 20, 30 or whatever percent would slow down
9 the outflow that the secretary mentioned earlier
10 this morning that's needed to bring the PlanCon
11 system current. It would put some moneys in most
12 school districts' hands, and after three years,
13 should sunset and we move forward.

14 The optional reimbursement dispersion,
15 one-time moneys, very intriguing. We work in other
16 states where that is, in fact, the case, and know
17 that that would give some flexibility while also
18 removing the interest portion of the money that the
19 state is committed to on an annual basis.

20 In conclusion, I think the most
21 important thing to us is for the legislators to
22 adopt something, anything, to remove these ongoing
23 unknowns for our local school districts. Our state
24 needs to follow its constitutional and historic
25 commitment to encouraging the development of roads,

1 utilities, schools, and other facilities in our
2 rural areas and ensure equity of education.
3 Removing this uncertainty of what a school district
4 can do with its aging buildings and shifting
5 demographics will unquestionably allow these
6 districts to plan and operate more fiscally
7 responsibly, undertake the long-term capital
8 upgrade and maintenance projects that the
9 legislature really wants to see local districts do
10 and to undertake the restructurings to optimize and
11 affect savings on the local operational level as
12 well as restore lost educational offerings.

13 I thank you for the opportunity to let
14 us participate in this hearing. AIA Pennsylvania
15 wholeheartedly supports Representative Grove's
16 legislation, and we stand ready to assist in the
17 process as we move forward.

18 Thank you.

19 MAJORITY CHAIRMAN CLYMER: The chair
20 thanks the gentlemen, and I appreciate your very
21 informative testimony.

22 Before I ask other members on their
23 concerns, I have a few questions.

24 Mr. McKissick, what percent of the
25 operations of your gross total sales, we'll put it

1 that way, are from public education, where you
2 are -- not public education, but education, where
3 your firm depends on the school contracts?

4 MR. MCKISSICK: Certainly. As a design
5 firm, I have focused -- I'm a certified education
6 facility planner, and we do work in the northeast.
7 And it's approximately 75 percent of what we do.

8 MAJORITY CHAIRMAN CLYMER: Seventy-five
9 percent.

10 Now, higher education, that's our
11 universities and colleges, are not part of what
12 we're talking about. But I know that -- I know
13 because I observed, in the Lehigh Valley area, a
14 number of schools have undergone expansion and new
15 buildings, whether they're downtown Philadelphia,
16 and that would include medical centers as well,
17 hospitals, to the hospitals that are in the Lehigh
18 Valley. So, is that a target? Are those targets
19 where you would go?

20 MR. KARCHER: I worked with a firm
21 that did college and education, higher education,
22 health care as well as K through 12. And it's
23 interesting. The higher education market does not
24 necessarily look favorably upon an architect that
25 does K through 12. That's a specialist. It's a

1 market sector that is unique.

2 However, there is a lot going on in the
3 SSHE system that allows certain kind of
4 construction to occur, such as student residents,
5 et cetera, that's a design build, so having
6 answered your question with respect to higher
7 education, I think there's facets of the higher
8 education market that might be able to be brought
9 into the K through 12 market, a model of
10 construction, which we haven't even discussed here
11 today. But I believe, if you do K-12, it merges
12 very quickly into a K-16 scenario, which is the
13 community college. So, I'd like to believe if
14 you're a K-12 specialist, you're also a K-16
15 specialist, because essentially that is the group
16 of students that we're trying to reach out to.

17 Higher ed is a unique market sector,
18 but there's a lot of firms that do both. But if
19 they're doing both, they certainly have principals
20 driving one sector versus another sector.

21 MAJORITY CHAIRMAN CLYMER: Then you've
22 kind of answered my next question, because you had
23 touched upon the fact that interest rates are low
24 right now, and especially over the last couple of
25 years, where industry, private industry or public

1 entities, would be looking to expand and to grow
2 and to hire architects because the interest rate
3 was low. So, they're saving themselves literally
4 millions of dollars. But you've just said you're
5 in a defined specialty, not overall in your
6 architect --

7 MR. MCKISSICK: Right. The health care
8 market has been picking up while the K-12 is
9 waning. The higher ed -- I do higher ed as well.
10 And that market has also been jettisoned through,
11 particularly in Pittsburgh and Philadelphia,
12 Carnegie Mellon or Temple or some of those areas,
13 the SSHE system of studies. But the K-12 has just
14 stagnated. And those of us who have done that,
15 we've watched many of our colleagues -- won't use
16 names today, but there's a group, a big group of
17 five to eight of us that have been historically
18 here, average age is probably fifty years, they're
19 no longer what they were. They're probably 20
20 percent of what they were seven years ago. And
21 that was almost exclusively a K-12 special firm.

22 MAJORITY CHAIRMAN CLYMER: The chair
23 recognizes Representative Grove.

24 REPRESENTATIVE GROVE: Thank you.

25 Appreciated your testimony, and,

1 obviously, your years of service specializing in
2 this has been invaluable throughout the process,
3 drafting this. Appreciate your comments on new
4 versus renovate, thirty-year rule, kind of giving
5 the background on that important stuff.

6 I do want to get you on the record,
7 prototypical school construction design, obviously,
8 it's been a thought process to, you know, basically
9 allow school districts to pick certain school
10 buildings, try to reduce costs moving forward.

11 We have a reimbursement aspect. Only
12 three school districts to date have utilized that.
13 So, if you briefly just want to comment on
14 prototypical school construction.

15 MR. KARCHER: I'll start, and Vern will
16 conclude. Probably about eight to ten years ago, I
17 think, PDE asked for a prototypical school to be
18 put on their website. I think that's where you may
19 be referring to three schools. Any time we've been
20 asked to do a prototypical school that we've done,
21 we've lost our fees on them, because the perception
22 is there's a savings on fees, there's a saving on
23 cost. Any of these buildings have to be sited,
24 adapted to a new site. They're probably not the
25 same orientation as what the original building was,

1 which means you have to redo the entire mechanical
2 system based upon heating and cooling loads.

3 The likelihood is, if it's a
4 prototypical school, it was done by a different
5 entity, a different school district, who teach
6 differently, have different program requirements,
7 therefore, you can sit here and put school A to
8 school district B and say, "Use A," and they're
9 going to say, "I don't like it," because this
10 doesn't work, this doesn't work. And because we've
11 already submitted a fee that we have to work with
12 and we want to keep the client, we'll make the
13 changes. And as the changes occur, the losses
14 incur. And by the time it's done, the fee that we
15 said we would do it for, it really should have been
16 2 to 3 percent more.

17 So, essentially, there's been no
18 savings. In the end, quite frankly, the school
19 district that gets the one with the prototypical
20 school usually has a school building that is --
21 either looks nothing like the other one or has
22 small resemblance to the other one. So, we've
23 never seen any cost savings.

24 And, to be honest with you, it's not a
25 matter of fee. Our fees are so low right now -- I

1 mean, we're talking fees right now in the K-12
2 industry where architects are doing fees probably
3 as low as they would have given five years ago for
4 a prototypical school just to try to get the work
5 right now.

6 MR. MCKISSICK: But I think, if
7 I could, just to add to that, I think the more
8 factor when the question is savings, the reality is
9 that over 80 percent of the projects that we're
10 talking about here in the PlanCon in Pennsylvania
11 are renovations or additions, which do not in any
12 way lend themselves to a prototype. So, even if a
13 cost model could be created that would generate
14 savings, it would be for a very fractional, small
15 component of the overall.

16 REPRESENTATIVE GROVE: Appreciate
17 that.

18 The department would, obvious, like to
19 see more flexibility built into this. Per our
20 conversations in this draft, one of the things that
21 you highlighted over your years' tenure dealing
22 with this is when PDE usually gives a waiver, costs
23 increase moving forward. Appreciate some comments
24 on that.

25 MR. MCKISSICK: Absolutely. One of the

1 things -- I think it started out well meaning, as
2 did the increase in aid in 2006 for green buildings
3 and so on, so forth, was the move towards providing
4 waivers to the twenty-year cycle. And it reached
5 the point -- and I'm guilty or some champion or
6 whatever you want to call it of having pursued a
7 number of those in certain cases, some probably
8 more unnecessary than others. But what that's
9 allowed the -- what has resulted is, instead of
10 twenty years between renovation cycles, in some
11 case it's been fourteen, fifteen, or sixteen
12 years.

13 And, again, one of the things that the
14 House bill does talk about is putting a clamp on
15 that at twenty years, which would also serve to
16 reduce the number of project going through.

17 I think many of the underpinnings here,
18 while not necessarily items that I would embrace
19 and say "this is wonderful," when viewed in the
20 context of trying to fix PlanCon and trying to
21 reduce the cash flow out and make it a sustainable
22 system, such as the elimination of waivers, do work
23 towards that end without pulling the state out of
24 its long-term commitment to aiding school
25 construction and equity.

1 REPRESENTATIVE GROVE: Appreciate
2 that.

3 MR. KARCHER: I think what we were
4 seeing on the labor is also the fact that whenever
5 a school district went -- our ages, how long we've
6 been in it, we're seeing these buildings come back
7 and repeat themselves, like a boomerang. The first
8 twenty years, when we applied for state aid, school
9 districts didn't have a lot of money, but whatever
10 they could get for the 20 percent rule, they put
11 into it, but they usually forgo some other things.
12 Some of them were mechanical systems, some of it --
13 technology was not nonexistent twenty years ago.
14 We never discussed it.

15 So, when twenty years comes again for
16 the twenty-year rule, you're seeing fourteen years
17 after a project's been done, the mechanical
18 system's truly starting to fail because you didn't
19 address it; technology, wi-fi, and the rest being
20 introduced and never was even a discussable item
21 before. And that's what allowed us to start doing
22 some of the discussions on the waivers with the
23 Department of Education.

24 But, once again, there wasn't enough
25 money to really go back and do the work in the

1 building that should have been not only thirty
2 years ago yet alone fifteen years ago. So, it's a
3 balancing situation of just deciding what has to be
4 done.

5 I think increasing the amount that has
6 to be done to a building forces the hand of the
7 school district or the department to do more, but I
8 agree with what Vern had mentioned on the thirty-
9 year extension of aid, most of the systems we're
10 putting in are lasting thirty years.

11 Just before we came on today, we said,
12 let's look back twenty years. What were we doing
13 twenty years ago? And that wasn't too long ago.
14 And you look ahead twenty years, I mean, that's the
15 life of the school district before it's eligible
16 for the twenty-year aid. That's not a long time.
17 And if the contractors and the architects detail it
18 right, it's constructed properly, it should last
19 thirty years. If it has great bones, as we call
20 them, it should last sixty and seventy years.
21 There's a lot of buildings that have sustainment
22 for a long, long time yet.

23 REPRESENTATIVE GROVE: Thank you.

24 Thank you, Mr. Chairman.

25 MAJORITY CHAIRMAN CLYMER: The chair

1 thanks the gentleman and recognizes Representative
2 English.

3 REPRESENTATIVE ENGLISH: Thank you,
4 Mr. Chair.

5 You mentioned the PDE department has a
6 staff of only one technical reviewer. If the
7 pipeline is opened up, do we need to think ahead
8 on -- does their department need to think ahead so
9 that we don't have --

10 MR. KARCHER: Absolutely.

11 REPRESENTATIVE ENGLISH: -- a further
12 blockage?

13 MR. KARCHER: There were times when we
14 would go down to the Department of Education, and
15 there were four, five reviewers in-house. You'd
16 have your meetings in the morning; you'd have them
17 in the afternoon. And you literally would have a
18 verbal approval that day to move forward on PlanCon
19 A through G or whatever it was at that time.

20 It was a wonderfully educational
21 process, when we went down there to meet with
22 reviewers with our clients, our school district
23 personnel and board members. It was -- it was the
24 process of building a building, design a building
25 mutually. And it was embraced by the department.

1 We're down to one.

2 MR. MCKISSICK: One technical reviewer.
3 There are other folks that are clerks, clerical
4 types, but in terms of anyone with construction
5 knowledge, there's one position. And at this
6 point, it's even a struggle.

7 MR. KARCHER: As Vern said, we're
8 working at Windber School District right now. When
9 we do a project that's eligible for reimbursement,
10 whether it is or not, we try to retrieve
11 information. There is no database. This is a
12 building -- this is a package of documents on a
13 project that was done less than seven years ago
14 that we couldn't retrieve for four and a half
15 months. That's all we were looking for was the
16 last PlanCon submission, because, once again,
17 there's study information that has to be done prior
18 to a reimbursable project. We couldn't get it.

19 REPRESENTATIVE ENGLISH: Thank you.

20 MAJORITY CHAIRMAN CLYMER: The chair
21 thanks the gentlemen for being with us this
22 morning, for your testimony. It's been very
23 helpful, along with the others, and hopefully we
24 can begin to carve out some corrections here,
25 legislatively, that will make things much more

1 expeditious for PlanCon and for people like
2 yourselves who are involved.

3 MR. SWARNEY: We thank you very much
4 for your time.

5 MAJORITY CHAIRMAN CLYMER: Yes.

6 At this time, the chair recognizes the
7 Pennsylvania Association of School Administrators,
8 and welcome Dr. Joseph Roy, superintendent of the
9 Bethlehem Area School District; and, of course, the
10 Pennsylvania School Board Association senior
11 director of government affairs, John M. Callahan.

12 So, welcome, gentlemen. Good to have
13 you with us today on this important issue.

14 MR. CALLAHAN: Good to be with you.

15 DR. ROY: Good morning. Thank you.

16 MAJORITY CHAIRMAN CLYMER: I guess,
17 Dr. Roy, we have your testimony, or, John, whoever
18 wants to start. Doesn't matter.

19 DR. ROY: I'll go first.

20 Good morning, Chairman Clymer, Chairman
21 Roebuck, and distinguished members of the House
22 Education Committee.

23 My name is Joe Roy. I'm the
24 superintendent of the Bethlehem Area School
25 District in Northampton County. I'm here to

1 testify today on behalf of the Pennsylvania
2 Association of School Administrators, PASA, which
3 represents school superintendents and other chief
4 school administrators across Pennsylvania.

5 We thank the committee for holding this
6 hearing, giving us the opportunity to provide our
7 observations on House Bill 2124.

8 Across our Commonwealth, taxpayers,
9 local and state, have invested billions of dollars
10 over the years in over three thousand public school
11 buildings, where 1.8 million students come to
12 school every day. I think it's important to note,
13 we're not just talking about schools. We're
14 talking about community centers, where the
15 community comes together beyond the educational
16 day, beyond the school day, whether it's to cheer
17 on football teams, basketball teams, come to the
18 school musical, whether it's to come to vote.
19 Many, many schools are polling places, meeting
20 places for community organizations. Many schools
21 host community events and serve as recreational
22 facilities for our community, certainly for youth
23 sports, our school facilities are used very, very
24 regularly.

25 So, it's an investment in our public

1 school facilities. It's an investment in the
2 vitality and quality of life of our local
3 communities, an investment that lasts well into the
4 future.

5 Our colleagues from PASBO detailed
6 compelling information on the impact of the PlanCon
7 moratorium and on the backlog and deferred payments
8 to school districts that have been putting
9 additional budget pressures on school districts.
10 The broken promise that is PlanCon demands
11 immediate attention.

12 I want to take a minute to share some
13 of the impact on our district in Bethlehem and then
14 move to PASA's recollections with regard to this
15 legislation.

16 So, Bethlehem is the sixth largest
17 school district in the state by student enrollment.
18 We have twenty-two schools and an administration
19 building, serving thirteen thousand five hundred
20 students, with a couple thousand employees. Our
21 district has had a comprehensive facilities plan
22 since 1991. That's updated annually. And it was a
23 systematic plan laid out to improve our
24 facilities.

25 Between '91 and 2001, the district

1 invested over ninety-six million in eighteen
2 different buildings. From 2005 to 2011, the
3 district invested an additional hundred eighty-four
4 million to renovate both of our large high
5 schools -- we have a three-thousand student high
6 school and a two-thousand student high school --
7 and replaced two of our four middle schools.

8 Recently, the board authorized a
9 project to address our most pressing capital need,
10 what was in the plan from 1991 for replacing our
11 Nitschmann Middle School, that was originally built
12 in the 1920s, at an estimated cost of 53.7
13 million. This project is one that is caught in up
14 in the moratorium on new school construction
15 projects.

16 I want to take a minute to emphasize
17 that we worked diligently to drive down the cost of
18 this project. The 53.7 million is about ten
19 million less than originally estimated a number of
20 years ago when Nitschmann was first put on the
21 drawing board. The board, over the last several
22 years, has planned for the project by assigning
23 five million dollars to our capital reserve fund
24 that we can use, in essence, as a down payment
25 towards the cost of the building. And our

1 financial planning also included an anticipated
2 reimbursement of up to seven million dollars
3 through the PlanCon process, and that now has
4 thrown a big question mark in our project. We're
5 continuing with the project, but that question mark
6 stays out there.

7 The lack of payments, also, on
8 completed projects hampers our financial planning.
9 Our district is currently owed -- we've lost about
10 two hundred fifty thousand dollars a year over the
11 last few years, totaling close to eight hundred
12 thousand dollars for reimbursements that are stuck
13 in the logjam at PDE.

14 I recently touched based with a few of
15 my colleagues in the Lehigh Valley. Parkland
16 School District is estimating they're owed a
17 million dollars. Northampton Area School District
18 is in the process -- they've beat the moratorium
19 with regard to a middle school project, but they
20 are concern about when and if the reimbursements
21 will begin, due to the backlog. And Salisbury
22 School District, which is a very small school
23 district in Lehigh Valley, is still waiting for
24 three hundred sixty thousand in PlanCon
25 reimbursements.

1 In an era of extremely difficult
2 budgeting for school districts, the loss of
3 expected PlanCon reimbursements leads to higher
4 local taxes, cuts in educational programs, or
5 both. So, needless to say, we applaud the efforts
6 of Representative Grove and members of the
7 committee to modernize and restructure the PlanCon
8 process and unstick the logjam so that the
9 Commonwealth can meet existing obligations.

10 We'd like to offer several suggestions
11 that we think would help the bill in the process.

12 PASA supports the provision that
13 requires PDE to establish a database of school
14 construction, reconstruction, building purchases,
15 charter lease reimbursements as a means of
16 increasing transparency.

17 We also support provisions that require
18 PDE to automate the application process, and, as we
19 heard mentioned earlier, eliminate the requirement
20 that documents be submitted on microfilm.

21 PASA supports enacting ArcCon
22 provisions as state law in the school code instead
23 of basing the rules for the two-hundred-ninety-six-
24 million-dollar annual state appropriation on
25 PDE guidelines.

1 We also applaud the provisions that
2 will modernize the overly bureaucratic and outdated
3 PlanCon process, taking it from eleven steps to
4 five, and reducing the number of board actions that
5 are required along with that.

6 PASA supports the requirement that PDE
7 reimburse districts in the order in which projects
8 received approval by PDE. We suggest strengthening
9 this requirement to ensure that PDE will process,
10 review, and approve applications in the order in
11 which they are received. This provision may help
12 thwart any thoughts about manipulating the review
13 and approval process to favor one district's
14 application over another.

15 We support the provision that will
16 provide authority to the secretary to prioritize
17 reimbursement of districts in financial recovery
18 status. We suggest that the same authority be
19 provided to the secretary to school districts in
20 financial watch status under Section 611-A of the
21 school code, with the idea that if we pay attention
22 to the schools in financial watch status with
23 regard to reimbursement could help them avoid
24 moving into recovery status.

25 We suggest that PDE be prohibited,

1 however, from diverting funds already approved,
2 committed, and payments already started to one
3 district to a district that is in financial
4 recovery or watch status.

5 We support the reform that requires
6 districts to conduct a facility study every five
7 years and are permitted to use that study
8 submitting the ArcCon application for approval
9 during the effective period of the five-year plan.
10 This will reduce costs.

11 Bethlehem's a great example in that our
12 plan is -- our five-year plan is really an ongoing
13 plan. So, when it's time for us to submit for
14 PlanCon, it's just minor tweaking and updating. We
15 do not have to start over again, because we build
16 on the plan that we have in place.

17 PASA supports the use of the standard
18 that substantial evidence that demonstrates the
19 necessity of a new building, how a new building
20 would better serve the needs of the district and
21 its students than expansion and renovation, be
22 presented when a district submits an application
23 for a construction project where the cost of a new
24 building exceeds the expansion or renovation costs
25 of an existing building for the same purpose.

1 We suggest that additional
2 consideration be given to the provision that
3 prohibits districts, except in the case of
4 emergency, from being eligible for reimbursement
5 for a construction project if the building is less
6 than thirty years old or if PDE had approved the
7 project for the building within that preceding
8 thirty years.

9 We believe the thirty-year timeline is
10 too long and could drive a perverse result by
11 driving districts to undertake more comprehensive
12 renovation projects at the time that they are
13 eligible than they otherwise would under the
14 current rules. For example, might be a HVAC system
15 that might be serviceable for twenty years but not
16 make thirty, but now you're going to feel compelled
17 to throw into the project to deal with now because
18 you can't wait 'til the next thirty-year cycle.
19 So, we suggest keeping the time frame at the
20 current twenty years; also broadening the
21 definition of "emergency" to go beyond the natural
22 disaster, fire, or flood, and give the secretary
23 authority to waive the provision when extraordinary
24 circumstances warrant such a waiver.

25 We also suggest providing some

1 additional flexibility that will allow school
2 districts in the Commonwealth to take advantage of
3 favorable economic conditions that will ultimately
4 provide considerable savings to the state and local
5 taxpayers. The great recession of 2008 is an
6 example of that, providing a window of opportunity
7 to school districts to undertake construction
8 projects at the lowest material and contract costs
9 experienced in a decade, together with
10 unprecedented, extraordinary low-cost financing.
11 The Commonwealth should encourage and support
12 districts that may need to undertake renovations
13 when long-term savings warrant doing so.

14 We believe the provision that limits
15 reimbursable projects to those that exceed 40
16 percent or more of the cost of replacing the
17 building when viewed in conjunction with a
18 thirty-year time limitation will result in some
19 districts choosing to defer replacement of
20 inefficient building systems and structures, and as
21 suggested above, create the perverse result of
22 districts undertaking more comprehensive projects
23 for renovation than they otherwise would to ramp up
24 costs to exceed the 40 percent threshold.

25 We appreciate the provision that

1 prohibits PDE from requiring school districts to
2 resubmit documents or require applications to meet
3 the new ArcCon requirements that have already been
4 submitted prior to the moratorium.

5 We also applaud the provision that will
6 allow districts that undertook projects during the
7 moratorium that otherwise would be eligible for
8 state reimbursement to seek approval and
9 reimbursement once the moratorium has ended.

10 In Bethlehem's case, our Nitschmann
11 Middle School project referred to earlier is a
12 perfect example of a project that would benefit
13 directly from this provision. We did mail in
14 PlanCon A, and it was returned to us, but we
15 thought we'd mail it in any way during the
16 moratorium.

17 We also appreciate the provision that
18 requires the Commonwealth to pay interest on the
19 payments overdue to districts more than a year and
20 also the lump sum reimbursement option.

21 Thank you for the opportunity to
22 express our observations and recommendations to the
23 committee. Again, we appreciate your interest in
24 this topic of critical interest to school
25 districts. I would be glad to answer any questions

1 that you may have.

2 MR. CALLAHAN: Great. I'll continue.

3 First off, good morning. I guess it's
4 good afternoon at this point as well, very close.
5 Appreciate the time of the committee and the staff
6 as well as Representative Seth Grove for all the
7 work that's been done on this piece of legislation,
8 all the time that's been spent on this very
9 critical issue.

10 My name's John Callahan. I'm with the
11 Pennsylvania School Board Association. I'm the
12 senior director of government affairs.

13 My association represents four thousand
14 five hundred elected officials that are there to
15 make sure that the children of Pennsylvania receive
16 the constitutional education that they deserve.

17 Today, talking about PlanCon and all
18 the effort that's gone into it, I think I come at
19 the perfect place in the committee testimony,
20 because I want to wrap up really what we see in
21 some of the situation that's out there in our
22 school districts, after talking to many of my
23 members over the past week and two weeks and the
24 few months that I've been on, since I'm new. It's
25 been pretty revealing about what the situation is

1 out in our school districts, and it is a matter of
2 finances, as Representative Carroll said, and it's
3 also a growing problem. A problem that if we don't
4 address now, will continue to grow and continue to
5 get worse.

6 So, let me just kind of hop into, we
7 did a survey a bit ago, a year and a half ago, but
8 then we are checking up on it now and finding that
9 the same numbers are very true, that those that
10 responded to our survey of the current PlanCon
11 process, over 75 percent of the projects were
12 renovations or additions, with less than 25 percent
13 for new construction projects.

14 I think that's important for today, to
15 kind of understand that, in the current situation,
16 we have people doing renovations, and there's
17 reasons, of course, behind the renovations, so we
18 asked that as well. They included deteriorating
19 facilities or systems, increased enrollment, school
20 consolidation a result of decreased enrollment,
21 necessary for ADA compliance, and that, when I
22 spoke to a lot of our members, was one of the
23 bigger reasons that people are looking at building,
24 trying to come up to ADA compliance. And changes
25 in grade configuration was another one, which also

1 I found very interesting.

2 Nearly 75 percent of the response of
3 the school districts also indicated that they
4 expected to realize operational savings. So,
5 schools -- the story here is, school are not really
6 going to this process looking to build a bright and
7 shiny new building. They're looking to build and
8 get savings out of their building. They're looking
9 to address some of the critical problems that have
10 come out of very old buildings across the
11 Commonwealth. And they're also looking to come
12 into compliance and serve their children the best
13 way they can.

14 So, that's one of the biggest stories
15 that's out there for our school districts, that
16 we're not really doing this on a willy-nilly
17 basis. This is a process that is a law and a
18 process where many of our school districts that
19 they take their time on and have been in
20 discussions, I have no doubt, for ten to twelve
21 years, even before they get to the process of
22 saying, you know what, "we're going to build," or
23 "we're going to renovate," whatever that decision
24 may be.

25 And I'd like to say, within the

1 legislation that's proposed, there is even further
2 consideration of whether to build or whether to
3 renovate, and that's something the school board
4 association fully supports, because their members
5 are mostly already doing that right now.

6 When we speak about the problem only
7 gets worse, let me just kind of delve into a few
8 examples that really kind of -- you've heard a lot
9 of examples today that really, I think, tackle or
10 speak to the situation that's out there.

11 Mifflinburg Area School District is
12 one. The district has been waiting to begin to
13 receive state reimbursements for their school
14 construction project for over two years.
15 Mifflinburg Area is expecting approximately three
16 hundred thousand annually in reimbursement payments
17 on a 2010 bond. And, as a small district, the lack
18 of funding is pretty significant for them.

19 The district has had to take almost
20 nine hundred thousand out of its fund balance to
21 cover the lack of reimbursement, despite the fact
22 that the fund balance was designated to cover
23 increase in pension liability. By the end of the
24 fiscal year, the district will be owed 1.2 million
25 dollars.

1 So, what we're talking about financial
2 problems, but we're also talking about a budgeting
3 problem for school districts that are in this
4 situation, that have moved forward with a project
5 under the expectation that they're going to receive
6 the state funding for a portion of that project and
7 going through a long process to get that.

8 When you get to the end of the day and
9 you don't receive that state payment for that
10 portion of your budget, decisions have to be made,
11 of course, of where do you get the funding. Some
12 people are taking it from their reserves, which
13 sometimes that has different impacts. Some
14 reserves that are saved by school districts are
15 there to cover the increased pension liability, or
16 some of them, actually, are there for future
17 buildings.

18 One of our other school districts
19 actually has an agreement to build or refurbish a
20 new CTC that's out there, and they had to shift
21 away from that payment to pay the current bond.
22 So, we have those situation being done.

23 And, of course, if you don't have
24 reserves, which some of our school districts are in
25 that situation, you have to look to internal cuts

1 or a tax increase.

2 So, let me talk about Mt. Lebanon
3 School District, as I get there. The district has
4 been planning to renovate its high school building,
5 built in 1920, since 2005. The district borrowed
6 the first hundred and nine million in 2009, with
7 PlanCon part G approved in January 2012, and part H
8 submitted to PDE shortly after. For this bond
9 issue alone, the district anticipates receiving
10 approximately six hundred twenty-three thousand per
11 year, yet has received nothing, due to lack of
12 state approval. The district is now owed 1.8
13 million in back payments from 2009 and has a
14 six-hundred-twenty-three-thousand-dollar deficit in
15 its current year budget.

16 However, what I want to speak to here
17 is this is a district that -- they really don't
18 have the reserves, so they're going to look at a
19 tax increase to pay for this. They were originally
20 planning in there to have a tax increase to pay for
21 their portion of it, but now that the state portion
22 is not there, it also has to be covered by a tax
23 increase. And if they calculated it out to do what
24 they have to, it's about a .25 mil increase. And
25 that, obviously, is above what Act 1 would allow

1 them to do. So, there's also that pressure on the
2 end of the scale budget wise.

3 When you have to deal with not
4 receiving the funds that you were promised and that
5 you were led to believe you would have while
6 planning since 2005, you have to make the
7 decisions, tough decisions as a school board and as
8 a school district, where do you go? And in some
9 cases, that's going to be the tax end. But, again,
10 on the tax end you also have the Act 1 situation
11 where you're limited to how you're going to
12 increase those funds or how you're going to deal
13 with your budget. And that's not a bad thing or a
14 good thing, but it is what it is. And it's a
15 situation that some of our school districts are
16 approaching.

17 What you've heard today, I think,
18 really spreads out a nice -- is a very nice view of
19 what's going on in Pennsylvania. You have small
20 school districts, you have large school districts,
21 you have -- everybody is very unique in
22 Pennsylvania, which is probably the joy of my
23 position right now of finding that out, going
24 around to school districts. We're finding that
25 every situation is different.

1 Some school districts are able to
2 even -- even avoid the PlanCon process. That would
3 be wonderful for some school districts. Some need
4 these funds, they need to have that funding. And
5 some are expecting the funds and were promised
6 them, and now they have to make tough decisions to
7 get through that process at the end of the day.

8 Representative Seth Grove's bill and
9 the work of the staff and the work of the team up
10 here with the caucus has been fantastic. We look
11 forward to continuing to work with them. And we
12 look forward to working on some of the same
13 concerns that my colleagues at PASA and PASBO have
14 with this legislation as we move forward.

15 With that, I'll conclude my testimony
16 and take any questions.

17 MAJORITY CHAIRMAN CLYMER: Thank you,
18 gentlemen for your very good testimony.

19 At this time, the chair recognizes
20 Representative Carroll.

21 REPRESENTATIVE CARROLL: Thank you,
22 Mr. Chairman.

23 I know Dr. Roy was here for the whole
24 hearing. I believe you were as well. And so,
25 therefore, you heard the question that I popped on

1 the folks from Titusville and Southern York. You
2 have the luxury of thinking about it for a little
3 while.

4 Doctor, I'll ask you the exact same
5 question, if you don't mind.

6 DR. ROY: I anticipated that you might
7 do that, sir. In our case, I would prefer the
8 money on the grant side, because -- to fund our
9 educational programs. We have budget -- the money
10 that we are expecting, two hundred fifty, three
11 hundred thousand in our budget of two hundred
12 twenty million, is critical, but we're able -- we
13 budgeted anticipating that money, because, at some
14 point, we believe it will come. And so, we have
15 that money already budgeted. So, I would prefer to
16 have the money to be able to use for the
17 educational side.

18 REPRESENTATIVE CARROLL: Does the
19 association have a view on the big picture here?

20 MR. CALLAHAN: I'll comment. You have
21 seen both answers from both sides, and I'd expect
22 that you'd see the same answer from across
23 Pennsylvania. Again, it's almost as if every
24 locality has their own budget and their own
25 situation.

1 When it comes down to it, I think the
2 solution probably has a mixed bag of X amount of
3 dollars in a grant program or a block grant program
4 or whatever you're going to call it, plus having
5 additional money for the PlanCon process, and
6 especially this new process, ArcCon, would probably
7 be the best situation for Pennsylvania.

8 REPRESENTATIVE CARROLL: Maybe the best
9 recommendation is to adequately fund PlanCon and
10 provide additional funding for basic ed.

11 MR. CALLAHAN: I don't disagree there.

12 REPRESENTATIVE CARROLL: There's a
13 solution.

14 MR. CALLAHAN: I would agree with that.

15 REPRESENTATIVE CARROLL: Thank you.

16 MAJORITY CHAIRMAN CLYMER: The chair
17 recognizes Representative Grove.

18 REPRESENTATIVE GROVE: Thank you.

19 Thank you, gentlemen. Appreciate the
20 testimony.

21 Dr. Roy, I want to focus in on the
22 lump-sum option, kind of like highlight it. And
23 generally speaking, do you think that will be an
24 effective tool for school districts and PDE to kind
25 of, instead of waiting all those years, get money

1 up front? Obviously, it's a negotiation between
2 the school district, and if it works good, you
3 know, let's do it. Do you think this is a feasible
4 mechanism to the future to help alleviate?

5 DR. ROY: Yeah, I think that is. If
6 you think about it from the local -- the politics
7 at the local level, you know, one of the pieces
8 with this middle school that we're building
9 currently is, you know, ultimately, we want to
10 drive down the cost through our savings and design,
11 through the capital reserve money we put aside, to
12 drive down the borrowing cost so the long-term
13 impact to our debt service every year is reduced.
14 So, as I understand, the reimbursement would be a
15 lump sum that would allow us, then, to borrow
16 significantly less. That then drives down the debt
17 service every year for the next twenty years or so
18 of the months. So, that makes a lot of sense to
19 me.

20 REPRESENTATIVE GROVE: John, in your
21 testimony you didn't hit it, but you mentioned
22 double dip with chart schools, that they receive
23 reimbursement from lease-to-own buildings under the
24 current formula, and then PlanCon, they can charge
25 the state directly for lease payments.

1 Can you get into that discussion a
2 little bit?

3 MR. CALLAHAN: Representative Grove,
4 we're doing a little bit more research on what
5 numbers that we can find out about that. It's
6 obviously a little bit more of a black box on it.
7 But I guess I would call it the second double dip
8 of state government at this stage, where a charter
9 has the ability to go through the PlanCon process
10 and get reimbursed through that process for leases
11 and also get those funds through its common formula
12 that it receives from the state -- well, from
13 school districts through the state that's out
14 there.

15 So, we're kind of looking at they can
16 get both the leases through the PlanCon and also
17 the funding, the same funding, through their local
18 school districts through their formula. We're
19 finding -- we're doing a little bit more research
20 on how those numbers work out. And, again, it's
21 pretty tough to get some of those numbers. And we
22 need a little bit more time to get you those, but
23 we'll work on it and get it to you.

24 REPRESENTATIVE GROVE: And the form
25 C-63 does provide some deductions on that. Does

1 that mitigate some of the concerns or --

2 MR. CALLAHAN: I think it's still
3 there. It mitigates some of the concern, but,
4 overall, you're still receiving, in some cases, the
5 double payment for that same -- that same bill.

6 REPRESENTATIVE GROVE: Okay.

7 Thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN CLYMER: The chair
9 thanks the gentlemen for being with us this
10 morning. We appreciate your testimony as we
11 continue to motivate along here on our House Bill
12 2124. So, thank for your insights.

13 DR. ROY: Thank you, Mr. Chairman.

14 MAJORITY CHAIRMAN CLYMER: Our next
15 group of testifiers include James P. Gaffney, of
16 Goshen Mechanical, Incorporated, member of the
17 Concerned Contractors of Pennsylvania; Chad C.
18 Harvey, executive director of Mid Atlantic BX; and
19 Terrence McDonough, executive director of the
20 General Contractors Association of Pennsylvania.

21 Gentlemen, we welcome the panel this
22 morning -- this afternoon, now -- as we continue
23 our dialogue on House Bill 2124, the PlanCon
24 legislation.

25 So, whoever would like to begin, just

1 introduce yourself as you make your comments.

2 MR. GAFFNEY: Thank you very much.
3 Thank you for the opportunity to address this
4 committee on what I feel is a very important issue.

5 My name is Jim Gaffney, and I am vice
6 president of Goshen Mechanical contractors, located
7 in West Chester, Pennsylvania. Goshen Mechanical
8 is small business. If you look in the dictionary
9 and you would see our business listed as the small
10 business definition. We started this family-run
11 mechanical business twenty-seven years ago in the
12 basement of my father's home. We work by day, we
13 bid by night, seven days a week, four hours off for
14 mass on Sundays.

15 I'm here today representing the
16 Concerned Contractors Group, which is made up of
17 hundreds of small businesses, union and non-union
18 contractors, who primarily work on PA school
19 projects across the state of Pennsylvania.

20 There are so many reasons why the
21 PlanCon system should be maintained. First and
22 foremost is that it is a fair and a transparent
23 process. Each entity is required to do its due
24 diligence from the beginning to the end of the
25 PlanCon process. The taxpayer and the state are

1 aware of the projects and the costs long before the
2 review is completed. Every step of the process
3 must be completed before any project is given the
4 approval to proceed.

5 I served on the school board, and I
6 serve on the board of Delaware County Community
7 College. And I've done that for the last twenty-
8 four years. So, I have been involved in the
9 PlanCon process. As a person that's involved with
10 construction, any time there's a project, I'm the
11 guy who gets to chair the -- I preside over the
12 facilities committee and, obviously, preside over
13 this process from the beginning to the end.

14 The school buildings that we work on
15 are not new buildings. Most are forty years old or
16 older. The mechanical, electrical, and building
17 systems are in poor condition and cost the
18 districts a lot of wasted money to maintain them.
19 The newer systems are energy efficient, and the
20 savings to the end user can offset the construction
21 cost for many years.

22 We just installed a chiller that showed
23 savings of thirty thousand dollars in a cooling
24 season on a project that cost two hundred ten
25 thousand dollars. The life expectancy of this unit

1 is fifteen years. It also requires a lot less
2 maintenance each year.

3 The PlanCon process also allows many
4 projects to benefit local workers. Our firm bids
5 primarily in the Delaware, Chester, Montgomery, and
6 the Bucks County areas. Our workers are also from
7 these areas. I completed two projects in the last
8 three years in the Bristol area. We had 60 percent
9 of our workforce that paid school taxes in that
10 district. Each worker is also a taxpayer in the
11 state and the counties. Recently, we were able to
12 hire local veterans that came back from serving
13 overseas.

14 The Department of Education's
15 moratorium is hurting contractors and school
16 districts in ways that the average person cannot
17 see.

18 I have to tell you, personally, over
19 the last five years, I have not been able to bid a
20 school project that my profit and overhead was any
21 more than 3 to 5 percent. That's how tight the
22 margins are. If we were over that, we did not get
23 a job.

24 They're starting to grow. Work is
25 starting to come out.

1 I fear there may have been some time
2 there that projects that have been caught up in the
3 moratorium, there may be additional moneys that may
4 be needed to that just for that reason.

5 Realize, school construction is hard
6 construction. Each company must supply a bond that
7 requires their businesses to be financially sound
8 at all times. Each of my family members involved
9 in our business have their homes on the line with
10 the bonding companies. It requires a lot of extra
11 costs from our accountant to our bonding company to
12 keep the bond capacity where it needs to be.

13 Many of our projects have to be
14 completed in such a short period of time. We are
15 finishing a new school in Cheltenham. The school
16 started from the ground up after asbestos abatement
17 and demolition. We completed the project in eleven
18 months. Not all firms can handle the tough
19 schedules, working around a building filled with
20 teachers and students while trying to manage the
21 prices while commodities skyrocket.

22 Many companies are leaving the market
23 due to the cloudy future of school construction. I
24 see many newer firms in the market. Many bring
25 major problems because of their inability to man

1 the project quickly and stay coordinated with the
2 schedule and the other trades. The results are the
3 schools not opening on time and frustrated owners.
4 We need to bring the industry back to where it was
5 with the funding a few years back.

6 PlanCon is good for the Commonwealth of
7 Pennsylvania. The three hundred million in
8 construction each year betters our schools, our
9 students, our workers, and, finally, our local
10 taxing authorities. It keeps the transparency in
11 the system that everyone needs, and it allows my
12 workers to live in the areas where they currently
13 reside. My people are not only workers, but
14 they're coaches. They're Boy Scout leaders,
15 they're church leaders, and even school board
16 members.

17 Small businesses across the state need
18 PlanCon funding to continue. We need the
19 moratorium to be lifted.

20 The Concerned Contractors of
21 Pennsylvania commends Representative Grove on his
22 efforts to address the cumbersome PlanCon issue and
23 get the process back on track.

24 At any time, if the committee -- not
25 that my knowledge or my talents are close to what

1 you have up here and some of the ability that you
2 have, but I do see things at the level that we see,
3 the construction level, that we feel our group
4 could help you, going forward, with any issues with
5 the PlanCon. There are things that we see,
6 obviously, that you may not see that I think could
7 be helpful to you in the future.

8 Thank you.

9 MR. HARVEY: Chairman Clymer, Chairman
10 Roebuck, members of the committee, thank you for
11 the opportunity to speak with you.

12 My name is Chad Harvey. I'm the
13 executive director Mid Atlantic BX, or MABX. We're
14 a trade association headquartered here in
15 Harrisburg that represents the construction and
16 design industry through the mid Atlantic region.
17 We draw our membership from general contractors,
18 subcontractors, vendors, suppliers, architects,
19 engineers, companies of all sizes and shapes,
20 spread throughout the state. But one of our
21 primary member benefits is a construction project
22 reporting database and website that compiles
23 detailed information on a wide variety of projects,
24 including primary and secondary educational
25 facilities. So, we have some information that I

1 wanted to share with you today about that.

2 Before I turn to some of the hard
3 numbers, though, I wanted to note, just like my
4 colleague to the left here mentioned, school
5 construction projects are critically important to
6 the construction industry in Pennsylvania and our
7 membership. And Mid Atlantic BX does support House
8 Bill 2124, and we thank Representative Grove for
9 his efforts.

10 In general, we are very supportive of
11 efforts to secure adequate funding for primary and
12 secondary educational facilities, as well as
13 procedural and process improvements that are
14 contained in this legislation that will make the
15 overall process more efficient.

16 So, with that said, let me turn to some
17 numbers. Since the 2011 to 2012 fiscal year,
18 you've heard testimony today about the static
19 funding, two hundred ninety-six million -- we'll
20 call it three hundred million approximately --
21 that's allocated for PlanCon. I'd like to give you
22 a sense of how this translates into actual projects
23 and the impact that the static funding, from our
24 perspective, has had on school construction in
25 Pennsylvania.

1 From 2010 to 2013, our association
2 reported on a total of about fifty-eight hundred
3 primary and secondary educational projects. When
4 we break that down further, though, and we look at
5 2010 to 2012, and then we contrast that with 2013,
6 we see some interesting things.

7 From 2010 to 2012, we reported on an
8 average of fifteen hundred projects every year.
9 And the total value of those projects was
10 approximately 5.6 billion dollars. In 2013,
11 however, we only reported on one thousand two
12 hundred sixty-nine projects. That's a 16 percent
13 decrease in the total number of projects when
14 compared to the previous three-year average.
15 Additionally, the total value of the projects in
16 2013 was between four and a half to 4.8 billion
17 dollars. So, we're talking about a drop of about a
18 billion dollars in school construction spending
19 overall.

20 So, with that in mind, what's that mean
21 exactly as we take a step back with respect to
22 House Bill 2124 and the construction industries as
23 a whole? First, that 16 percent drop that I
24 mentioned a moment ago would appear to demonstrate
25 the chilling effect that static funding has had for

1 several progressive years and the impact that
2 the -- excuse me -- the impact that the current
3 PlanCon process has had upon renovation or new
4 construction of primary and secondary schools.

5 We've heard testimony from AIA and
6 architects and other folks that are directly
7 engaged in this process, and I think you have a
8 sense for the personal impact that this has had
9 already.

10 So, when I speak about billions of
11 dollars in changes at a macro level, there's a
12 human element to this as well, and I think
13 Mr. Gaffney spoke to that very well.

14 Second, the overall drop in funding has
15 a very real and substantial impact on the
16 Commonwealth as a whole and Pennsylvania's
17 construction industry and workforce. This billion
18 dollars represents spending that just didn't occur,
19 and that lost money translates into fewer
20 Pennsylvanians working to support their families.

21 Third, when we speak about investing
22 four to six billion dollars annually, we're talking
23 about a sizeable impact overall, but it's a
24 two-fold investment. It's a two-fold impact.

25 Number one, it's an investment in

1 Pennsylvania's future that helps to ensure that our
2 children have adequate educational facilities.
3 These schools, as we've heard, take a tremendous
4 amount of abuse during their life cycle. They
5 require updates. They require renovations. And
6 they also require new facilities occasionally. And
7 for Pennsylvania to remain competitive, we must
8 continue to nurture and educate our students to the
9 best of our abilities, and investing in our schools
10 is an important part of that.

11 Number two, investing in our schools is
12 also an investment in our current workforce. These
13 schools are complex buildings with increasingly
14 complex designs and construction needs. And
15 Pennsylvania is fortunate to have design
16 professionals, contractors, and an extremely
17 competent construction industry, with the knowledge
18 and skills necessary to meet those needs.

19 In the 1970s, a well built school meant
20 something very different than what it means today.
21 The requirements were different, and things have
22 evolved. And the skills and expertise that are
23 required to build today's schools are very
24 different than yesteryear. We need to be aware of
25 the vital role that the construction of educational

1 facilities plays in sustaining and enhancing the
2 skills of our workforce.

3 As Pennsylvanians, we need to make sure
4 that we're funding the construction and renovation
5 of our schools to the level that not only meets the
6 needs of our future but also ensures that the jobs
7 and skills required to continually meet this
8 obligation remain in Pennsylvania and that they're
9 as sharply honed as possible.

10 Many others have spoken today at length
11 regarding specific provisions of this bill, and I
12 know we're drawing close to lunch, so I'm going to
13 wrap this up here and pass this over to my next
14 colleague here.

15 But I'd like to mention three specific
16 reasons before I go why Mid Atlantic BX supports
17 this bill.

18 Number one, we believe it's a vehicle
19 that will improve and modernize the PlanCon
20 process.

21 Number two, we believe it will decrease
22 administrative and procedural costs and effort
23 while ultimately increasing funding for our
24 schools.

25 And, number three, we believe that it

1 will help to keep Pennsylvania's construction and
2 design industry working and engaged in projects
3 that are critical to the future success of the
4 Commonwealth.

5 So, I thank you very much for the
6 opportunity to speak with you today. Mid Atlantic
7 BX joins with many other voices in support of this
8 legislation. And we look forward to continuing our
9 participation in this ongoing discussion, helping
10 to raise the overall level of understanding about
11 the impact of PlanCon upon the architecture,
12 engineering, and construction industries.

13 Thank you.

14 MR. MCDONOUGH: My name is Terrence
15 McDonough. I'm the executive director of the
16 General Contractors Association of Pennsylvania.

17 I want to thank Chairman Clymer and
18 Chairman Roebuck and the members of the committee
19 for inviting GCAP to testify this morning. We
20 would also like to take the opportunity to thank
21 Representative Grove for introducing this
22 legislation, which we will hope improves the
23 process of reimbursements to schools and the
24 renovations that are necessary and improve the
25 process of PlanCon overall.

1 As Chad mentioned, I happen to be the
2 last guy on to testify, and I know everybody's
3 hungry and ready to go, and to be candid with you,
4 we will concur with almost everything we heard this
5 morning, and rather than replicate it, I'll just
6 move on to a very brief general opinion that I can
7 give you from GCAP's point of view.

8 GCAP represents commercial construction
9 companies throughout Pennsylvania who are signatory
10 to various collective bargaining agreements. Over
11 the years, members of this association have done
12 work in Philadelphia, in Pittsburgh, in Erie and
13 Scranton and throughout the Commonwealth and have
14 used members of the construction trades in the
15 performance of those construction services. We
16 continue to do so, and we represent the voice of
17 union construction on the hill.

18 So, that is the capacity I'm here to
19 speak to today.

20 As has been said throughout the
21 morning, you've heard many statistics about the
22 problems of PlanCon and suggestions for its
23 improvement. We concur with what we've heard. We
24 think that Representative Grove has taken an effort
25 to streamline a system that seems to have some

1 antiquated provisions, and we hope that those can
2 be overcome.

3 We believe, as Chad has said, that
4 school construction is very important in economic
5 development and in employment throughout the
6 Commonwealth. As I said, on school construction
7 projects, members of the General Contractors
8 Association will employ carpenters and laborers,
9 cement masons, brick layers, operating engineers,
10 painters, various members of the building trades.
11 Those generate local jobs. They spend money in
12 local communities. And they pay taxes to the
13 Commonwealth.

14 And I heard earlier, I think it was the
15 fellow to my far left who said that there, in
16 addition to the jobs that are created and the
17 expenditures for new schools, the improvements in
18 the mechanical systems that are now available to
19 the school district can help the Commonwealth
20 substantially in reducing its costs primarily to
21 the school districts, which help the Commonwealth,
22 because of these technological improvements. And
23 with that, we support the continued efforts to
24 streamline the system and to make available to
25 school districts a better way of funding the

1 construction projects that they wish to undertake.

2 We support the efforts of
3 Representative Grove, and we ask the committee if
4 they would support him in that effort and move this
5 legislation forward. And I thank you very much for
6 the opportunity to testify.

7 MAJORITY CHAIRMAN CLYMER: The chair
8 thanks the gentlemen.

9 I know that in talking with some of the
10 other gentlemen here this morning, one of the
11 questions I asked with the American Institute of
12 Architects, they had specialized -- that particular
13 group specialized with K-to-12 education. But with
14 the general contractors, I mean, you don't
15 specialize within education. It's an important
16 component, but, you know, you're out there to build
17 whatever building is awarded. Would that be
18 correct?

19 MR. MCDONOUGH: Speaking for my
20 constituents, that is correct. We are not
21 exclusively school builders.

22 MAJORITY CHAIRMAN CLYMER: Okay. How
23 is business, from your perspective, at the present
24 time?

25 MR. MCDONOUGH: Well, I can give you

1 anecdotal information on that. We would suggest
2 that, because of the difficulties in public works
3 across the board, I can tell you that the hours
4 have dropped off in my area of constituency. We
5 have done, historically, a lot of work in public
6 schools and in public works, such as DGS and State
7 System of Higher Education, so that has been
8 substantially reduced over the last few years.

9 MAJORITY CHAIRMAN CLYMER: Would anyone
10 like to make comment?

11 I just -- one of the areas that I know
12 where a major project is undergoing is right in my
13 own county, Bucks County, and they're doing the
14 courthouse. It's a multi-million-dollar project.
15 It's under construction as we speak here. And
16 that's what I observe when I travel around the
17 Lehigh -- you heard me before, earlier in the
18 morning, travelled through Philadelphia and Bucks,
19 Montgomery areas, I see majors projects going
20 forward. And I know that major projects are
21 important, but you need the other work as well.

22 So, I'm just trying to get a focus,
23 trying to get a sense how things are for the
24 general contractors.

25 MR. MCDONOUGH: Speaking just for the

1 general contractors, many of whom are members of
2 ours, but the industry, as a whole, there was a
3 very real implosion of funding over the last couple
4 years during the economic downturn. And there were
5 quite a few firms that went out of business. So, I
6 guess, I'd leave you with two points in response to
7 your question.

8 Number one, right now, there are many
9 fewer folks in the industry than there were even
10 five or six years ago, and I think that that is, in
11 a way, helping because even though there's a
12 reduced number of projects out there, there is a
13 reduced pool of folks that are competing for that
14 work.

15 And we are seeing a recovery, but it's
16 very moderate, very minor. So, to your point that
17 there are large projects going forward, there are a
18 lot of projects that have been sitting on the
19 sidelines for the past several years. It's -- you
20 need to look no further than here in Harrisburg
21 with the federal courthouse building. It drags
22 out. It drags out.

23 And so, we're starting to see some of
24 that stuff, public and private, begin to move
25 again, but it's a very slow process. And I would

1 not say that the recovery is full on by any stretch
2 of the imagination.

3 MAJORITY CHAIRMAN CLYMER: Would you
4 say that because the housing has been sluggish and
5 that's one of the reasons? The housing,
6 residential housing, commercial, that seems to be
7 very sluggish. And I don't know why. I mean, I
8 guess we have to bring the banks here, have the
9 banks tells us, because I know they want to give
10 loans. Maybe it's -- we need a bill for them at
11 the federal level like 2124 to help them make the
12 loans that they need so we can get some
13 construction going.

14 MR. HARVEY: Well, there's no question
15 that housing led us into the recession. And you're
16 right, we'd probably be better off bringing in some
17 bankers and lending experts to talk about the
18 Gaussian copula function and the overall impact on
19 the lending climate in the U.S. But what I can say
20 with certainty is that, while residential
21 construction and housing kind of led us into this
22 recession, there was a ripple effect that permeated
23 throughout all levels of finance, and I think
24 that's one of the reasons right now you're still
25 seeing so much money sit on the sidelines and

1 you're seeing so much reticence on the part of the
2 lending institutions to move forward with the
3 project. There's a lot of uncertainty and a lot of
4 folks that were bitten very hard during the
5 downturn.

6 MAJORITY CHAIRMAN CLYMER: The chair
7 recognizes Representative Grove.

8 REPRESENTATIVE GROVE: Thank you,
9 gentlemen. Appreciate your testimony. Probably
10 some of more important ones as we get to see the
11 real effect of our economic situation in
12 Pennsylvania and dealing with this, but you guys
13 have a specialty, because you actually build the
14 structures.

15 There's discussion about the
16 thirty-year rule and extending that out from twenty
17 up to thirty years. My question kind of mixed in
18 with the overall construction of a school. If we
19 build a new school today, what would fail first in
20 that school? We hear a lot about HVAC. Would the
21 HVAC system kind of fail first? And as that school
22 prolongs, what kind of issues come into play when
23 we talk about the school facilities?

24 MR. GAFFNEY: If I could say, on HVAC,
25 I don't know if the word "fail" is the right word.

1 Efficiencies change every day. What was 12 percent
2 efficient three years ago is now 16 percent, when
3 you're looking at air conditioning equipment. What
4 we could have installed five years ago and said it
5 was the highest efficient chiller or boiler on the
6 line is now a distant past that you can't get parts
7 for anymore. And it's a good thing, because the
8 savings that that district could see is probably 60
9 percent, upwards of 60 percent.

10 So, as far as failing, I don't know --
11 I mean, there are units that we go in that have
12 been in for forty years, honestly. We're working
13 in the Pottstown School District. We're looking at
14 boilers that were at one time coal fired. You
15 know, they have been converted and converted and
16 converted over again. But when you -- and the
17 equipment will last, but it's just, how much money
18 are you going to put into something to try to
19 maintain it when you see that the savings that the
20 entity could see with a higher efficient product in
21 there, I guess that's the struggle that you would
22 have.

23 REPRESENTATIVE GROVE: How hard is it
24 to go into a school building and replace that HVAC
25 system?

1 MR. GAFFNEY: It's depends. We very
2 rarely work in newer buildings. The buildings that
3 we work in, I would say, are thirty years plus.
4 And if we're just replacing piping, equipment,
5 things of that nature, it's a little difficult. I
6 have to go in, I have to take a ceiling down.
7 There's asbestos on the insulation. There's a lot
8 of other variables that are involved that come
9 through. The cost to that is a lot. It's a lot
10 more for us. Because, honestly, I don't specialize
11 in the GC work in that type of product, so I have
12 to bring somebody else in to do it. But to go in
13 and change out components, you know, a chiller, an
14 air handler, boilers, we do it all the time.

15 I've actually changed a three-million-
16 BTU boiler out, the School District of
17 Philadelphia, in less than twenty-seven hours. Had
18 one air freighted. You know, when it went down,
19 brought one in, put it together, had it up and
20 running.

21 So, for us, we do it all the time. We
22 know that -- we know now it works. We know the
23 process. We know what's going to happen, what's
24 expected of us. We can get in and get it done
25 fairly quickly.

1 And depending on the level of moneys
2 that are out there, we will work with the district
3 to get it done.

4 REPRESENTATIVE GROVE: Reviewing the
5 process we kind of have structured in 2124, do you
6 think we missed anything? Do you think we need to
7 add any additions, any further suggestions moving
8 forward?

9 MR. GAFFNEY: The only thing that I
10 would see -- and I might irritate some people here
11 today -- as I served on some boards, every job that
12 I bid I have competition. Competition could be, at
13 a minimum, five, at a maximum, twenty other
14 contractors in my field, bidding against me.

15 On a board that I serve, we put a large
16 project out. I made sure that we put -- that we
17 were competitive from the beginning to the end.
18 So, there were no professional services anywhere
19 that were not RFPed or put out for bid. And I
20 would say, in the project that I'm talking about,
21 we probably saved 2 to 2 and a half percent on a
22 project of that size. So, I just think, in that
23 scenario, it's something that you could look at.

24 In other scenarios in my world would
25 be -- we just bid a couple projects that we were

1 awarded them with the schools. Well, it was flat
2 specced on one piece of equipment. When the owner
3 came back and said, "Hey, you know, we just don't
4 have the money. Is there anything we can do to
5 show some value here? We don't want to tinker with
6 the design." We went back, and we looked at
7 alternate equipment, and the savings was a hundred
8 twenty-five thousand on a two-million-dollar job.

9 I just think that there's certain
10 things that we can put in -- today, no product is
11 made by one person that there's not four or five
12 other vendors out there that can do the same
13 thing.

14 When you get into a school district and
15 they have one ATC contractor that's in there, and
16 I'm out there bidding all my products out there,
17 all my different people and my subcontractors, and
18 I'm trying to be competitive, and I'm trying to get
19 in a number that I know what the budget is, it's
20 pretty tough when one person out there knows that
21 they have that job. And there's value to that.

22 So, I do think that there are some
23 things that are out there that are quick fixes to
24 better savings, plus the fact on some of the energy
25 savings that we're putting in -- I'm doing a school

1 now where the payback is three years on the HVAC
2 equipment on a million-dollar job. Well, is there
3 some way that you can structure something in the
4 process that says, hey, if there's a bond out there
5 that's twenty years and the savings is X, why can't
6 you see some of that savings? You know, if you're
7 going to cap the funding at a certain level, I'm
8 sure you could get to that cap with some of the
9 savings. Just something -- but the savings today
10 is unbelievable.

11 We have districts now that their
12 maintenance people that are home, they carry
13 computers with them or iPads on them. If the
14 school's off, they just bring it up, shut the heat
15 off for the day, shut the heat off for three or
16 four days, ten days, whatever we lost this year.
17 If there's something coming on and there's a school
18 event and the school event was cancelled, they come
19 in, they cancel the heat and the cooling that's
20 going to be utilized for that period of time at
21 night. There's huge savings that are out there
22 today.

23 At our college, we changed out our
24 light fixtures ourselves. Our pay back was less
25 than a year on a seven-hundred-thousand-dollar

1 job. I mean, there's huge savings that are out
2 there today. And I just think that, you know, if
3 performance contract companies can come in and do
4 it, there are third-party people making money on
5 it, there's got to be a way that we can structure
6 it amongst ourselves to see that savings going
7 forward to help these schools get funding.

8 MR. HARVEY: I would simply underscore
9 James's comments. He used the word "requirements"
10 a couple times. I think expectations have changed
11 as well. And it's easy to talk about standards and
12 energy efficiency, but we all expect a lot more
13 these days, and we're capable of achieving a lot
14 more. And the process is one that, I think, allows
15 us to help meet those expectations.

16 MR. MCDONOUGH: My only comments would
17 be to reinforce what Jim said earlier, that there's
18 a lot of expertise in the room you heard today.
19 And you may have accomplished everything you wanted
20 in your proposal, but there's probably some
21 improvement that can be made in everything. So, if
22 it is going to move forward, I'm sure there's some
23 great suggestions from the construction community,
24 design community, the school boards themselves.
25 And I would encourage you to keep an open line of

1 communication with those groups.

2 REPRESENTATIVE GROVE: Absolutely.

3 Thank you.

4 Thank you, Mr. Chairman.

5 MAJORITY CHAIRMAN CLYMER: The chair
6 thanks the gentleman and recognizes Chairman
7 Roebuck.

8 MINORITY CHAIRMAN ROEBUCK: Thank you,
9 Mr. Chairman.

10 Your question that sort of piqued my
11 interest here about the nature of school buildings,
12 and, generally, I know we're talking about PlanCon,
13 but is there a fundamental difference in the way
14 you approach the building of a school structure,
15 say, a high school or a primary school, versus what
16 you do on a college campus? I mean, I've got six
17 college campuses in my district, and all of them
18 seem to be booming with construction. There's not
19 a campus that doesn't have at least two or three
20 buildings going up at the same time. And would I
21 anticipate that the issues you raise here around
22 the maintenance of systems, the lifetime of
23 systems, all those things would be similar for
24 those building as well?

25 MR. GAFFNEY: I would say yes. The

1 only difference would be -- we do a lot of college
2 work ourselves, and we find that when we're doing
3 the private work, that there is not one, two, three
4 products that are specified. They're really
5 looking for a product that we can get our hands on,
6 something that is a little more economical to
7 them. And, for us, the time frame's a lot easier.
8 We get in the school in May, and I'm not going --
9 and the students aren't coming back until September
10 or late August, whereas in the school, especially
11 this summer, I'm not getting in 'til the week of
12 the 4th of July, and I have to be out of there by
13 the week of the 21st of August.

14 MR. HARVEY: I think that's an
15 excellent point, and it goes to the testimony we
16 heard earlier with respect to the fact that these
17 schools are really used as community centers, too.
18 And I don't think it's as complicated or as
19 cumbersome construction, where you've got to worry
20 about interruption of life-savings techniques and
21 equipment, but I would imagine that Mr. Gaffney has
22 done quite the dance a couple times with these
23 educational institutions.

24 MR. MCDONOUGH: I have nothing to add.

25 MINORITY CHAIRMAN ROEBUCK: Thank you

1 very much.

2 Thank you, Mr. Chair.

3 MAJORITY CHAIRMAN CLYMER: The chair
4 thanks the gentlemen, and that concludes the
5 questions for you gentlemen.

6 Thank you very much for participating
7 and being part of the forum as we look at this very
8 important issue on PlanCon. So, thank you,
9 gentlemen, for your input.

10 That concludes our hearing for today.
11 The chair thanks staff and members of the committee
12 for being here, for asking provocative questions,
13 and we'll probably be taking another look at this
14 legislation within the very near future.

15 Thank you.

16 (Whereupon, the hearing concluded at
17 12:43 p.m.)

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BRENDA J. PARDUN, RPR
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