



TESTIMONY – HOUSE BILL 2124

Majority Chairman Clymer, Minority Chairman Roebuck, and members of the House Education Committee, we appreciate the opportunity to add our voice to the discussion on Representative Grove's legislation that is the focus before you today.

My name is Stephen Swarney and I'm the new Executive Director of AIA Pennsylvania, the statewide component of The American Institute of Architects (AIA). AIA Pennsylvania serves a statewide membership of over 2,700 AIA members and is tasked primarily with representing the interests and promoting the profession of architecture in this state while striving for the highest quality in the built environment.

I would like to start by commending the author of the bill and the cosponsors for presenting this idea to the Commonwealth. As we collectively continue striving toward an economic recovery, the construction industry, the infrastructure of the state, the needs of our school districts, and needs of the taxpayers who pay the bills deserve this type of thinking to assure that Pennsylvania is providing the best possible situations for all to have a winning scenario.

AIA Pennsylvania supports this bill.

At this time, I am pleased to introduce two of our members, Vern L. McKissick, III, AIA, LEED AP, ARA, CEFPA and Richard L. Karcher, AIA, NCARB, AIA Pennsylvania Board of Directors, who have extensive knowledge and hands on experience dealing with the current PlanCon system.

Good morning. On behalf of AIA Pennsylvania, Vern and I welcome this opportunity to present supporting information related to the proposed House Bill 2124. Vern and I have spent our entire careers designing public K-12 schools throughout Pennsylvania and the Mid-Atlantic Area. This includes nearly \$2 billion worth of Plancon regulated work that has improved over 50 million square feet of space in schools that are attended daily by over 80,000 students. With over 60 years of combined hands-on Plancon experience, we are grateful to have this opportunity today to represent our AIA Pennsylvania membership on this very critical subject.

Before we move forward with sharing some of our thoughts on this particular bill, we would like to very briefly mention that Pennsylvania school construction – whether new or renovated - and the processing of Plancon projects through the Pennsylvania Department of Education (PDE) has experienced a rapid decline since 2006. In fact, these last few years alone have been devastating to Pennsylvania companies, such as contractors, construction managers and architects, who design, build and manage K-12 school construction projects.

The following few items, we believe, are the direct results from the gradual reduction and recent moratorium placed on school construction funding and how it has impacted our own architectural profession – especially our current and future K-12 design specialists:

- In 2013, over 500 licensed architects did not renew their registrations. We are currently reviewing the total since 2006 and expect it to be staggering.
- Many Pennsylvania legacy K-12 design firms – some as old as 90 years – have seen their staff size reduced from a peak of 120 in 2005 to barely three dozen, as of this week. Some have simply stopped designing schools or closed their doors because the school work has essentially “dried up.”
- The size of our own K-12 focused firm – McKissick Associates – has been reduced from 27 employees to 10, since 2010.
- Graduating architectural students no longer look to Pennsylvania architectural firms for employment and the opportunity to perhaps design a new or renovated school in their home school district. Instead they are seeking work opportunities in Maryland, Ohio, Virginia and North Carolina where growth is taking place, new methods for school construction are implemented, funding is adequate and referendums are routinely passed.

So how do we believe we can improve upon this situation? AIA Pennsylvania believes a great start will be to pass House Bill 2124 and hit the “refresh” button on PlanCon.

My partner, Vern McKissick will further explain why the positive changes suggested in House Bill 2124 are reasonable and could indeed be the answer to jumpstarting school construction in our Commonwealth once more.

Good morning. As my partner Rick mentioned, I am Vern McKissick and I appreciate the opportunity to be here today. As you are probably aware, the PlanCon system is a series of 11 approval steps that assist the school board in making logical progressive decisions in relationship to planning and designing a project. While it has not been substantially reworked, since its inception over 40 years ago, the programmatic educational specifications are in some cases outdated. In our opinion it has not necessarily been completely ineffective, as many have suggested.

PlanCon has provided the architect with an excellent tool to guide the school board and administrators, many of whom are embarking on a construction project for the very first time, through a design process. To a great degree, the failure of PlanCon is based upon the limited funding that has been allocated to it rather than its structure.

Over these past four decades, reimbursement per pupil has been infrequently increased and has not kept up with annual inflation or economic growth. This has resulted in the average Pennsylvania school district receiving well less than 20% in project cost reimbursement from the Commonwealth. Many checks and balances exist that are operative only within higher aid levels and add overhead and confusion for school districts.

We would maintain that much of the claim of the PlanCon system’s failure is really the disproportionate amount of paper work and reviews needed by the “wealthier” school districts in the eastern and western portions of our state where current systems are being indexed to the local school district’s market value aid ratios (MVAR and the CARF). These aid ratios “factor in” a measure of wealth which often significantly reduces the aid available to wealthier school districts. Many of them

have not even considered accepting state aid due to the excessive amount of PlanCon effort and exhaustive review duration.

As an example, the School District of Haverford Township's new Manoa Elementary School completed by my firm several years ago yielded an effective reimbursable aid amount of \$586,000. That is less than 3% on a project costing over \$21,589,000. In contrast, on projects at the aging facilities in the "poorer" school districts in the "T" section west of the Susquehanna River and north of I-80, effective aid can be upwards of 40% on some projects. The additional time and effort entailed by PlanCon in these situations has, of course, been more cost effective for those local school systems.

As currently written, House Bill 2124 proposes to allow school districts to opt out of PlanCon by agreeing to forego aid. This will serve to not only remove the paperwork processing burden from the wealthier school districts, but it will also serve to free up additional monies for the needier urban and rural school districts. As such we fully support this.

PlanCon Review Time

The compression of the PlanCon process to fewer steps will definitely reduce time and expenses to the school districts that need to rely on state aid for upgrades to their educational facilities. Please note that, at one time, PlanCon was a very efficient and expedient review process. This changed when the PDE's departmental staffing was dramatically cut. At one time, multiple review architects and engineers daily provided prompt review and advice to local school districts and their architects. Today, that department has been reduced to one individual.

In addition, the institutional knowledge of the PlanCon process itself has been devastated through retirements and an apparent lack of consideration for a succession of knowledgeable in-house reviewers. Instead, key assignments may fall upon individuals who may be unfamiliar with the program as well as the construction process itself. We would caution that without insuring adequate review staffing, even a revised system may not yield desired results.

Elimination of Microfilm

We would highly urge that the streamlining of documents, as suggested in the bill, be considered. This could be taken even further to permit electronic submission of PlanCon as well as bid documents to save both time and money for the taxpayers. In reality, the architectural and construction industries have both transitioned to almost an entirely electronic processing. Moving to an electronic submission process for project reporting and design documents will also enable easy access to PDE's archives which is often needed for study and project purposes.

Automation of Process and Reporting

Electronic Submissions - In 1992, I personally developed the initial set of PlanCon forms in Lotus 123 and later donated this information to PDE. They used this as a basis for their spreadsheet format. It's amazing that 22 years later, we still are unable to make submissions electronically.

Transparency - We support the legislation's requirement for a public database, on PDE's website, providing information about school construction and reconstruction projects, building purchases and charter lease reimbursements. Obtaining information from PDE has always been extremely difficult. Having a clear and easy portal to review and obtain information on the status of reviews will be invaluable to school districts and their professionals. We wholeheartedly support this initiative; we encourage the legislature to make sure that the refinements are coordinated with Act 34 (Taj Mahal) public expenditure and hearing requirements, which have not been addressed or rescinded by the governor's moratorium.

Financial Assistance to School Districts & Communities

Increased Allocation - While we would suggest that the per pupil aid amount be indexed to increase annually to account for inflation, we understand that is a challenge. An increase, without funding to support it, last occurred in 2006. Prior to that, it had last been increased in 1985. To some degree, this issue remains one at the center of the current situation.

As such, serious consideration should be given to the legislation as written; it proposes increasing the budget line item for PlanCon by an additional \$100 million for school construction reimbursement. Beyond addressing the immediate release of monies into the local school districts for school construction, this will also create a stimulus effect. For all of the monies expended by our state on local economic stimulus, as well as job creation in our smaller communities, none has been more effective than PlanCon at leveraging local growth through school construction. The moratorium has had devastating effects upon the design and construction industry in Pennsylvania. This effect is expanded further when you consider the design engineers and other affiliated professionals. Additionally, jobs have been lost in construction of these schools by contractors, sub-contractors and their vendors. Such an increase would simply be the legislature keeping its promise to local taxpayers, who have had to see programs cut and/or tax increases to cover the amounts not provided by the State.

Reimbursement Allocation - One of the other aspects of House Bill 2124 is that it will require reimbursements to be made in the order of PDE approval, unless the Secretary prioritizes a project of a financial recovery school district. Beyond being logical, it represents a fair and democratic process. In a way, this is a "Back to the Future" scenario; in the late 1970's and early 1980's, this was how PDE reimbursements were allocated. Allowing for prioritization of reimbursements to a recovery school district is a tool that the PDE should have, but we would urge that emergency situations such as fire, structural, health & safety, environmental, etc. also be allowed as exceptions.

Retroactive Funding Opportunity - Allowing school districts, which began a construction project during the current moratorium on new applications, to apply for reimbursement following the expiration of the moratorium should now be considered for reimbursement. This will have the effect of permitting school district's to once again begin planning for projects even though aid for those projects may still be in future years.

PlanCon Part H - Please provide for interest payments to school districts on artificially delayed reimbursements. Local school districts did not create this problem; they trusted the state would honor its commitments as it has for over a half of a century.

The 2006 Act I budgetary restrictions and reduced effective instructional aid - coupled with elimination of many of the initially envisioned exceptions - has presented an insurmountable and almost impossible challenge to many school districts. One of our clients, the Williamsport Area School District, trusted the state would honor its reimbursement commitments when the district committed to over \$72 million for badly needed upgrades in two schools. With a Middle School completed in 2012 and a High School upgrade approaching completion in the next four months, the state has now put this school district in a bind. While these upgrades permitted the closure of four schools and the restructuring of the overall district resulting in nearly \$2 million in annual operational savings, it is now forced to assume the payment for almost \$20 million in principal plus interest obligations that was to be reimbursed through PlanCon in the form of aid.

Fiscal Savings for the State

New vs. Renovate - Another aspect of the bill is that it addresses the provision of reimbursement for a new building only if a cost-benefit analysis indicates the cost to construct does not exceed the cost to expand or renovate existing buildings or if the district can demonstrate that a new building is necessary. This is an excellent direction and will promote solid planning from the get-go by encouraging the retention of schools within our established communities and the consideration of more possible uses of Greenfield sites. We would also encourage the inclusion of this aspect of the bill to be a component of a district-wide feasibility study that currently must be completed before any reimbursement is considered.

30 Year Rule - By increasing this “rule” from 20 years to 30 years this should definitely serve to reduce the number of PlanCon projects while also encouraging local school district’s to implement a more proactive plan in terms of preventative and deferred maintenance.

Final Accounting Aid Withholding - The bill also provides for several adjustments to the current system, including increasing the amount of money withheld at the end of the project, pending submission and approval of final accounting to the state. Increasing this amount will initially assist in restoring the solvency of the program by reducing immediate payouts and permit monies to be distributed to additional school districts.

Optional Reimbursement Dispersion - In agreement with the school district, allow a lump sum reimbursement equal to 75% of the total eligible reimbursement. This will permit school districts more flexibility in establishing financing. At a future time, this will work well with P3 (public private partnership) financing now being used in many other states and contemplated for vertical construction in this state.

In conclusion, the most important thing is for the legislature to adopt something and remove the ongoing “unknowns” to our local school districts. Our state needs to follow its constitution and its historic commitment to encourage the development of roads, utilities, schools and other facilities in

rural areas. Removing the uncertainty of what a school district can do with their aging buildings and shifting demographics will unquestionably allow many of these school districts to plan and to operate more fiscally responsibly, undertake long term capital upgrade/maintenance, undertake restructurings to optimize operations and maintain and/or restore lost educational offerings.

Thank you for allowing us the opportunity to participate in this hearing. AIA Pennsylvania supports Representative Grove's legislation and we stand ready to continue in this process and serve as a resource to help facilitate needed improvements to the current system.