



**Pennsylvania Association of School Administrators**  
***Proud Leadership for Pennsylvania Schools***

**HB 2124 ArcCon: School Construction Funding Reform**

**Testimony before the House Education Committee**

**March 31, 2014**

**Presented by Dr. Joseph J. Roy**

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Good afternoon, Chairmen Clymer, Chairman Roebuck and distinguished members of the House Education Committee. My name is Joseph J. Roy, and I serve as Superintendent of the Bethlehem Area School District, located in Northampton County. I am here today to testify on behalf of the Pennsylvania Association of School Administrators (PASA). PASA represents school superintendents and other chief school administrators across Pennsylvania. We thank the Committee for holding this hearing and providing PASA the opportunity to share our observations and recommendations regarding House Bill 2124.

State and local taxpayers of this Commonwealth have invested billions in its 3,000 public school buildings where nearly 1.8 million children travel each day to participate in educational, nutritional, recreational, health and social services provided by nearly 250,000 school professionals and school district support staff. But schools serve as more than just educational facilities; in communities throughout the state they also serve as community centers where entire communities gather together to cheer on the high school football team or basketball team, attend the annual high school musical or concert. Many public schools also serve as polling places, places where community organizations meet and hold events or serve as recreational facilities for the community. These community resources serve a role that goes far beyond their primary role and purpose, that of providing quality education to children or

school-age. Investment in our public school facilities is an investment in the vitality and quality of life of our local communities an investment that lasts well into the future. Like the transportation funding legislation enacted by the General Assembly last year, which increases funding of the Commonwealth's transportation infrastructure, House Bill 2124 seeks to reform and increase the investment in the maintenance and improvement of our state's PK-12 educational facilities.

Our colleagues from PASBO have already provided you with compelling data and information about the impact the application for school construction reimbursement moratorium and deferred payments to school districts is having on school district budgets, forcing cuts to instructional programs and staffing and increases in local property taxes. The broken promise that is PlanCon demands immediate attention.

The moratorium on applications for reimbursement of school construction projects has impacted my district, which has the sixth largest student enrollment in the state. Bethlehem Area School District has 22 schools and an administration building where more than 13,500 students are educated and 2,000 faculty and staff educate, provide support services and maintain and operate district schools each day.

Between 1991 and 2001, the district invested over \$96 million in 18 different buildings. From 2005 to 2011, the district invested an additional \$184 million to renovate both high schools and replace 2 middle schools. The Board authorized a project to address the district's most pressing capital need that of replacing Nitschmann Middle School at an estimated project cost of \$53.7 million. This project is one that is caught up in the moratorium on new school construction projects eligible for state reimbursement. We have worked diligently to reduce the scope of this project and have reduced the original cost estimate of \$64 million to the current \$53.7 million. The Board planned for this project by assigning \$5 million to our capital reserve fund over the past several years. Our financial planning for this project also included an anticipated \$7 million in PlanCon reimbursements. In addition to this immediate

need, the district faces a need for additional capital planning and investments to address facility issues in six other district buildings over the next 5 years.

The lack of payment on completed projects also hampers our financial planning. Our district estimates we are currently owed \$800,000 on completed projects whose reimbursements are stuck in the logjam at PDE. I recently touched base with a few of my colleagues in the Lehigh Valley and learned that the Parkland School District estimates it is owed approximately \$1.1 million to be disbursed at \$100,000 a year. Northampton Area School District is currently constructing a new middle school, and while the project was approved prior to the moratorium, concerns exist regarding reimbursement due to the backlog at PDE. Finally, Salisbury School District is waiting for \$366,000 in PlanCon reimbursements that district officials believe they should have already received. In an era of extremely difficult budgets for school districts, the loss of expected PlanCon reimbursements leads to higher local property taxes or reductions in educational programs, or both.

We applaud the efforts of Representative Grove and members of this committee to modernize and restructure PlanCon into a new process and set the stage to appropriate additional funding that will allow the Commonwealth to meet its existing obligations by reimbursing school districts for projects that have already been approved.

We would like to offer several suggestions that we believe will strengthen the bill and provide additional flexibility to accommodate unforeseen events, technology and other developments that will allow the proposed ArcCon process to adapt to changing circumstances well into the future.

PASA supports the provision that requires the Department of Education (PDE) to establish a database of school construction, reconstruction, building purchases and charter school lease reimbursements as a means to bring transparency to the school construction planning and approval process for school district construction projects, charter lease payments and



administration of both by PDE. We also support the provision that requires PDE, where possible and appropriate, to automate the application process and eliminate the requirement that documents be submitted on microfilm.

PASA supports enacting ArcCon provisions as state law, in the School Code, instead of basing the rules for the \$296 million annual state appropriation on PDE guidelines. We also applaud the provisions that will modernize the overly bureaucratic and outdated PlanCon process by consolidating its eleven step review and approval process, each requiring separate action by the local school board into five.

PASA supports the requirement that PDE reimburse districts in the order in which the projects receive approval by PDE. We suggest strengthening this requirement to ensure that PDE will process, review and approve applications in the order in which they are received by PDE. This provision may help thwart any thoughts about manipulating the review and approval process to favor one district application over another.

We support the provision that will provide authority to the Secretary, should she so choose to prioritize reimbursement of school districts in financial recovery status. We suggest that this same authority be provided to the Secretary to school districts in financial watch status, under Section 611-A of the School Code. Receipt of school construction reimbursements could make the difference whether the district's financial condition improves or worsens, which may be the difference whether the district is placed in financial recovery status or starts on the road back onto sound financial standing. We suggest however, that PDE be prohibited from diverting funds already approved, committed and payments already started to one district to a district that is in financial recovery or watch status.

We support the reform that requires districts to conduct facility study every five years and are permitted to use that study when submitting the ArcCon application for approval during the effective period of the five-year plan. This change will save time, expense and effort on the

part of school districts over the current policy that requires a new study to be conducted for each application submitted to PDE for approval.

PASA supports the use of the standard that *substantial evidence that demonstrates the necessity of a new building and how a new building would better serve the needs of the school district and its students than expansion or renovation* be presented when a district submits an application for a construction project where the cost of a new building exceeds the expansion or renovation costs of an existing building for the same purpose.

We suggest that additional consideration be given to the provision that prohibits districts--except in the case of an emergency--from being eligible for reimbursement of a construction project if the building is less than 30 years old or if PDE had approved a project for the building within the proceeding 30 years. We believe the 30 year timeframe is too long and could drive a perverse result by driving districts to undertake more comprehensive renovation projects than they otherwise would under the current rules. An example would be to include building systems like HVAC that may otherwise remain serviceable until for the next 20 years, but not 30-years. We suggest keeping the timeframe at the current 20 years. We also suggest broadening the definition of emergency to go beyond a natural disaster, fire or flood. We suggest providing authority to the Secretary to waive this provision when extraordinary circumstances warrant such a waiver. We remind the committee that following the tragic events at Sandy Hook Elementary School, the entire school building was torn down and a new school will soon be constructed on the former school's grounds. At Columbine High School sections of the school were torn down and a new wing constructed. And at our own Nickel Mines School the building was torn down and a new school constructed nearby (since it is a church school it does not receive public funds). The rules for ArcCon should provide flexibility to address any exigent circumstances.

We also suggest providing some additional flexibility that will allow school districts and Commonwealth to take advantage of favorable economic conditions that will ultimately

provide considerable savings to state and local taxpayers. The Great Recession of 2008 provided a window of opportunity to school districts to undertake construction projects at the lowest material and contract costs experienced in a decade together with unprecedented, extraordinary low-cost financing. The Commonwealth should encourage and support school districts that may need to undertake renovations when long-term savings warrant doing so.

We believe the provision that limits reimbursable projects to those that exceed forty-percent or more of the cost of replacing the building, when viewed in conjunction with the 30-year time limitation will result in some districts choosing to defer replacement of inefficient building systems and structures and, as suggested above, create the perverse result of districts undertaking more comprehensive renovation projects than they otherwise would to ramp up project costs necessary to exceed the forty-percent threshold.

We appreciate the provision that prohibits PDE from requiring that school districts resubmit documents or require applications to meet the new ArcCon requirements that had already been submitted to PDE prior to the start of the moratorium in October 2012. We also applaud the provision that will allow districts that undertook projects during the moratorium that otherwise would be eligible for state reimbursement to seek approval and reimbursement once the moratorium has ended. Bethlehem's Nitschmann Middle School project, referred to earlier, is a perfect example of a project that would benefit directly from this provision.

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

Thank you for the opportunity to express our observations and recommendations to the Committee. I would be glad to answer any questions that you may have.