

DE0202
Public School Construction
Board of Public Works

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2017 Approp.	2018 Approp.	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
Public School Construction Program	\$280.000	\$280.000	\$313.900	\$280.000	\$280.000	\$280.000	\$280.000
Supplemental Capital Grant Program	40.000	62.500	40.000	40.000	40.000	40.000	40.000
Aging Schools Program	0.000	6.109	7.609	6.109	6.109	6.109	6.109
Nonpublic Aging Schools	3.500	3.500	3.500	3.500	3.500	3.500	3.500
Qualified Zone Academy Bonds	4.680	4.823	0.000	0.000	0.000	0.000	0.000
Total	\$328.180	\$356.932	\$365.009	\$329.609	\$329.609	\$329.609	\$329.609

Fund Source	2017 Approp.	2018 Approp.	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
GO Bonds	\$328.180	\$356.932	\$360.109	\$329.609	\$329.609	\$329.609	\$329.609
PAYGO GF	0.000	0.000	4.900	0.000	0.000	0.000	0.000
Total	\$328.180	\$356.932	\$365.009	\$329.609	\$329.609	\$329.609	\$329.609

GF: general funds
GO: general obligation
PAYGO: pay-as-you-go

Note: Does not include nonbudgeted funds that were authorized in prior years to be reallocated by the local education agencies and the Interagency Committee on School Construction. Information on recycled nonbudgeted funds can be found in the Issues section of this analysis.

For further information contact: Kyle D. Siefering

Phone (410) 946-5530

Summary of Issues

Recycled Funding for Public School Construction: The Department of Legislative Services (DLS) advises that recycled funds as reported in the annual school construction *Capital Improvement Program* (CIP) do not reflect all contingency funds spent or include all sources of recycled funds. **The Public School Construction Program (PSCP) staff should comment on the feasibility of creating reports for past fiscal years that reflect all recycled funding spent within those years, whether such reports could be made available in the future at the close of each fiscal year, and how it can simplify notifications of available contingency funds to local education agencies and the General Assembly.**

The Recommendations of the 21st Century School Facilities Commission: The 21st Century School Facilities Commission has concluded its review of public school construction in the State and has submitted its final report and recommendations. In its report, the commission has recommended conducting a comprehensive statewide facilities assessment and has also recommended increasing annual funding for school construction to \$400 million annually as soon as practicable. **As there is \$4.9 million in pay-as-you-go (PAYGO) funding available for school construction in fiscal 2019 that has not yet been allocated by the Interagency Committee on School Construction (IAC), DLS advises that this funding could be reserved to facilitate the facilities assessment.** If enacted, SB 1243 and HB 1783 would implement the recommendations of the commission.

Summary of Recommended PAYGO Actions

1. Concur with Governor's allowance.

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Aging Schools Program	-\$1,500,000 GO
Reduce by \$1.5 million to remove funds for the Knowledge is Power Public Charter School.	
2. Public School Construction Program	
Approve the Governor’s \$309 million general obligation bond fund authorization for the Public School Construction Program.	
3. Nonpublic Aging Schools Program	
Approve the Governor’s \$3.5 million general obligation bond fund authorization for the Nonpublic Aging Schools Program.	
4. Supplemental Capital Grant Program	
Approve the Governor’s \$40 million general obligation bond fund authorization for the Supplemental Capital Grant Program for Local School Systems.	
5. Knowledge is Power Public Charter School	\$1,500,000 GO
Add funds for a grant to Baltimore City Public Schools for heating and air conditioning improvements at the Knowledge is Power Public Charter School.	

Program Description

Public School Construction

The State established PSCP in 1971 to provide State contributions toward school construction costs in an attempt to give property tax relief to local governments and equalize educational facilities across the State.

IAC was created to oversee PSCP, subject to Board of Public Works (BPW) approval. Members of IAC include the State Superintendent of Schools, who serves as the chairperson; the Secretary of General Services; the Secretary of Planning; a member of the public appointed by the President of the Senate; and a member of the public appointed by the Speaker of the House. Each October, the Governor announces the proposed amount of funding for public school construction for the upcoming fiscal year. Local jurisdictions submit their annual and five-year CIP to IAC in October.

Annually, in October and November, PSCP staff reviews the CIP applications and recommends to IAC which projects should be funded based on certain criteria. Each December, IAC develops a list of eligible projects and decides which projects should be recommended to BPW for approval. IAC must recommend an initial allocation of 75% of the Governor's preliminary allocation for school construction before December 31 of each year. In January, BPW votes on IAC recommendations, and the projects approved by BPW become part of the State's proposed capital budget. The proposed budget is then submitted to the General Assembly for approval. Annually, by March 1, IAC is required to submit recommendations to the Governor and General Assembly equal to 90% of the school construction allocation submitted by the Governor in the capital budget. In May, BPW allocates any remaining school construction funds to school construction projects recommended by IAC.

Supplemental Capital Grant Program

Chapter 355 of 2015 established the supplemental capital grant program to provide grants in the annual CIP to local school systems that have enrollment growth that exceeds 150% of the statewide average or with more than 300 relocatable classrooms over a five-year period. The grants are for the construction and renovation of public school facilities and are supplemental to the funding for the public school construction program. Grant awards are subject to the State and local cost-share formula for each school system and require approval by BPW. Chapters 665 and 666 of 2016 increased the amount to be provided annually for the program from \$20 million to \$40 million.

Ageing Schools

The Ageing Schools Program (ASP), administered by IAC, provides funds to local school systems for improvements, repairs, and deferred maintenance in public school buildings. Funding is specified in § 5-206 of the Education Article and provides a specific amount based on each school system's share of older space as compared to statewide totals. Originally, the basis of allocation was

the proportion of pre-1960 square footage (sq. ft.) that had not been renovated. In Chapter 307 of 2004, the basis of allocation was changed to the proportion of pre-1970 sq. ft. that had not been renovated. Matching local funds are not required for State funds provided for the program. The State/local cost-share formula used for State-funded school construction projects in the CIP does not apply to ASP.

Nonpublic Aging Schools

The Nonpublic Aging Schools Program, administered by IAC and the Maryland State Department of Education (MSDE), provides funds to nonpublic schools for improvements, repairs, school security improvements, and deferred maintenance in nonpublic school buildings. Funding has been provided for the program in each of fiscal 2014 through 2018. Funds are distributed to nonpublic schools currently participating in the Maryland Nonpublic Student Textbook Program. Payment for work completed under this program is through reimbursement to the grant recipient. No matching funds are required, but the nonpublic school is responsible for all project costs exceeding the amount of the grant.

Qualified Zone Academy Bonds Discontinued

PSCP is no longer supplemented through the federal Qualified Zone Academy Bond (QZAB) Program that was not re-authorized by Congress. Created under the federal Tax Reform Act of 1997, the State's last QZAB issuance authorized under separate legislation was made in December 2017 in the amount of \$4.7 million. The fiscal 2019 budget as introduced includes \$4.9 million in general funds to replace the funds lost when the QZAB program was not re-authorized.

Budget Overview

School Construction Program

State and local governments share in the cost of school construction projects. IAC makes a recommendation every three years to BPW that establishes for each county a State cost-share percentage to be used for the following three years, as required by Chapters 306 and 307 of 2004. This share is based on a formula, which includes components to recognize local wealth and the proportion of low-income students, enrollment growth, economically distressed counties, and the local funding effort by counties. The local effort component of the formula includes bond and PAYGO funding provided by local governments for school construction.

IAC made recommendations to BPW on October 18, 2017, for fiscal 2019, 2020, and 2021, which are shown in **Exhibit 1**. However, because the 21st Century School Facilities Commission had included the State cost-share for school construction in its discussions and was preparing to make recommendations on the topic, BPW modified IAC's recommendation and approved regulations to establish State cost-share percentages for fiscal 2019 only. As also shown in Exhibit 1, BPW's adopted

DE0202 – BPW – Public School Construction

State cost-shares hold all counties harmless if they would have otherwise received a decrease under the IAC recommendation. BPW also approved a modification of regulations to allow the inclusion of certain bond debts for Baltimore City in the calculation of percentages.

**Exhibit 1
State Share of Eligible School Construction Costs
Fiscal 2018-2019**

<u>Local School System</u>	<u>2018</u>	<u>IAC Rec. 2019-2021</u>	<u>Percentage Point Change</u>	<u>BPW 2019</u>	<u>Percentage Point Change</u>	<u>Held Harmless</u>
Allegany	83%	85%	2	85%	2	
Anne Arundel	50%	50%	0	50%	0	
Baltimore City	93%	91%	-2	93%	0	*
Baltimore	52%	56%	4	56%	4	
Calvert	53%	53%	0	53%	0	
Caroline	80%	81%	1	81%	1	
Carroll	59%	55%	-4	59%	0	*
Cecil	63%	66%	3	66%	3	
Charles	61%	61%	0	61%	0	
Dorchester	76%	75%	-1	76%	0	*
Frederick	64%	60%	-4	64%	0	*
Garrett	50%	50%	0	50%	0	
Harford	63%	60%	-3	63%	0	*
Howard	55%	54%	-1	55%	0	*
Kent	50%	50%	0	50%	0	
Montgomery	50%	50%	0	50%	0	
Prince George's	63%	70%	7	70%	7	
Queen Anne's	50%	51%	1	51%	1	
St. Mary's	58%	57%	-1	58%	0	*
Somerset	100%	96%	-4	100%	0	*
Talbot	50%	50%	0	50%	0	
Washington	71%	71%	0	71%	0	
Wicomico	97%	95%	-2	97%	0	*
Worcester	50%	50%	0	50%	0	
Maryland School for the Blind	93%	93%	0	93%	0	

BPW: Board of Public Works

IAC: Interagency Committee on School Construction

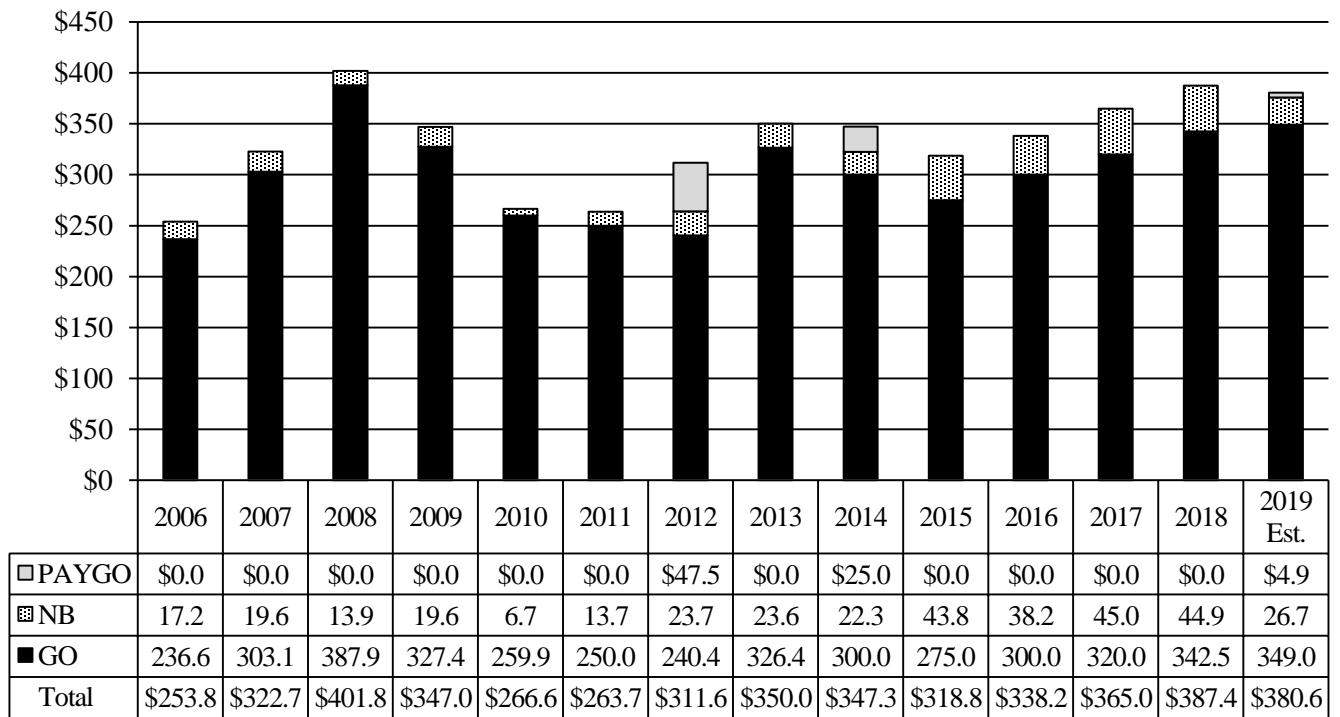
Source: Public School Construction Program; Department of Legislative Services

DE0202 – BPW – Public School Construction

The 21st Century School Facilities Commission has recommended in its January 2018 report that the State cost-share be updated every two years (instead of three) and that a common definition of local PAYGO be included in the local school construction effort calculation so that all counties report comparable data. Further discussion on the 21st Century School Facilities Commission can be found in the Issues section of this analysis.

Chapters 306 and 307 set a goal that the State provide \$2.0 billion for school construction from fiscal 2006 through 2013, which required \$250 million provided per year to meet. The State exceeded this goal by instead providing \$2.4 billion over this time period. Although the annual goal of \$250 million expired after fiscal 2013, the State has exceeded this amount every year since, as shown in **Exhibit 2**. **Appendix 1** shows the total State allocation for public school construction between fiscal 1972 and the initial fiscal 2019 allocation.

Exhibit 2
State Funding for School Construction
Fiscal 2006-2019
(\$ in Millions)



GO: general obligation
 NB: nonbudgeted
 PAYGO: pay-as-you-go

Source: Public School Construction Program *Capital Improvement Programs*, Fiscal 2006-2019

DE0202 – BPW – Public School Construction

It is worth noting that Chapter 647 of 2013, the Baltimore City Public Schools (BCPS) Construction and Revitalization Act, established a new partnership among the State, Baltimore City, and BCPS to fund up to \$1.1 billion in public school facility improvements through revenue bonds to be issued by the Maryland Stadium Authority (MSA) for which all four parties entered a Memorandum of Understanding. To date, 2 schools have opened under the program, while 7 are currently undergoing construction under Year 1 of the plan; 17 schools are undergoing design development/feasibility studies for Year 2 of the plan.

In October 2017, MSA submitted a financing plan that supports its request for approval to issue \$426.4 million in tax-exempt revenue bonds for the renovation and redevelopment of 17 BCPS facilities representing Year 2 projects and to supplement the remaining costs of Year 1 projects. On January 23, 2018, MSA issued \$426.4 million at a tax-exempt average coupon rate of 5% and realized \$70 million of bond premium proceeds that will also be used to support project costs. This means that for its two bond issuances to date, MSA will have received approximately \$880 million in construction proceeds and has \$48.1 million in debt service. MSA is planning on one more issuance with a value of about \$200 million, which will bring annual debt service to \$60 million.

Fiscal 2019 CIP

The Governor's total CIP allocation for fiscal 2019 is \$353.9 million. This consists of \$313.9 million for PSCP (both general obligation (GO) and PAYGO) and \$40 million in mandated supplemental funding for school systems with significant enrollment growth or relocatable classrooms (EGRC).

The \$313.9 million provided for PSCP is more than the \$280 million that was programed for fiscal 2019 in the 2017 CIP. Preliminary recommendations by IAC were submitted and approved by BPW in January 2018, and total \$210 million in new GO funding, which was based on 75% of the anticipated \$280 million. IAC also included a recommendation for the use of \$11.9 million in contingency funds by Baltimore City for a heating, ventilation, and air conditioning (AC) system project and 12 vertically packaged AC projects.

In February 2018, IAC made recommendations for a total of \$282.5 million in fiscal 2019 CIP funding, which amounts to 90% of the Governor's total PSCP allocation. This included recommendations for \$29 million in funding for local education agencies (LEA) that identified projects as having a life safety component requiring immediate funding, the distribution of which is shown in **Exhibit 3**. These actions satisfy the requirement that IAC submit recommendations by March 1, 2018. IAC has yet to make recommendations for the \$4.9 million in PAYGO available in the Governor's fiscal 2019 CIP. The 90% fiscal 2019 CIP recommendations include the following:

- a total of 35 major construction projects for \$204.3 million of the distribution, or 72.3%;
- a total of 48 systemic projects for \$76.7 million of the distribution, or 27.2% (this does not include the 13 systemic projects that have already been authorized with contingency funds, totaling \$11.9 million); and

DE0202 – BPW – Public School Construction

- one kindergarten project for \$1.5 million of the distribution, or 0.5%.

IAC has also included 4 approvals for planning in its 90% recommendation.

LEAs made requests for \$702.6 million in funding for fiscal 2019, \$643.5 million of which IAC has determined to be eligible for funding. This means that the IAC recommendations to date of \$294.4 million (new GO and contingency funds) fund 45.7% of the eligible requests and 41.9% of total requests. The allocations for the fiscal 2019 CIP funding are also shown in Exhibit 3. BPW has only acted on 75% of the fiscal 2019 CIP to date; it will act on the remaining 25% in May 2018.

Exhibit 3
Public School Construction Funding Recommendations and Approvals
Fiscal 2019
(\$ in Thousands)

<u>LEA</u>	<u>IAC/BPW Approved 75%</u>	<u>Contingency Funds Authorized for Fiscal 2019</u>	<u>Projects with Immediate Threats</u>	<u>90% Additional IAC Recommendation</u>	<u>90% Total Recommendation</u>	<u>Total Request</u>	<u>A/B Request</u>	<u>% A/B Request Funded</u>
Allegany	\$2,900	\$0	\$0	\$945	\$3,845	\$4,834	\$4,834	80%
Anne Arundel	\$16,464	\$0	0	\$0	16,464	\$57,532	57,532	29%
Baltimore City	20,058	11,901	12,841	\$7,754	52,554	94,293	94,293	56%
Baltimore	18,742	0	9,664	\$0	28,406	127,218	115,748	25%
Calvert	6,451	0	0	\$0	6,451	10,075	10,075	64%
Caroline	423	0	0	\$0	423	424	424	100%
Carroll	5,174	0	842	\$0	6,016	6,989	6,989	86%
Cecil	3,758	0	802	\$0	4,561	6,801	6,801	67%
Charles	8,595	0	0	\$0	8,595	36,282	19,458	44%
Dorchester	5,021	0	1,005	\$4,500	10,526	16,323	16,323	64%
Frederick	12,507	0	622	\$945	14,074	26,084	26,084	54%
Garrett	0	0	0	\$0	0	0	0	n/a
Harford	7,000	0	0	\$5,101	12,101	14,111	14,111	86%
Howard	4,450	0	0	-\$40	4,410	8,743	8,743	50%
Kent	0	0	0	\$0	0	0	0	n/a
Montgomery	23,817	0	856	\$3,126	27,800	118,201	96,804	29%
Prince George's	21,513	0	722	\$7,423	29,658	79,859	70,359	42%
Queen Anne's	806	0	0	\$0	806	806	806	100%
St. Mary's	4,638	0	0	\$0	4,638	7,231	7,231	64%
Somerset	13,000	0	0	\$4,022	17,022	17,500	17,500	97%
Talbot	4,000	0	0	\$3,682	7,682	12,000	12,000	n/a

<u>LEA</u>	<u>IAC/BPW Approved 75%</u>	<u>Contingency Funds Authorized for Fiscal 2019</u>	<u>Projects with Immediate Threats</u>	<u>90% Additional IAC Recommendation</u>	<u>90% Total Recommendation</u>	<u>Total Request</u>	<u>A/B Request</u>	<u>% A/B Request Funded</u>
Washington	10,474	0	0	\$1,350	11,824	14,812	14,812	80%
Wicomico	5,709	0	1,646	\$1,250	8,605	14,049	14,049	61%
Worcester	2,500	0	0	\$1,652	4,152	4,336	4,336	n/a
Maryland School for the Blind	12,000	0	0	\$1,800	13,800	24,145	24,145	57%
Total	\$210,000	\$11,901	\$29,000	\$43,510	\$294,411	\$702,647	\$643,456	46%

BPW: Board of Public Works
 IAC: Interagency Committee on School Construction
 LEA: local education agency

Note: Amounts do not include funding for the supplemental grant for enrollment growth or relocatable classrooms. The Interagency Committee on School Construction recommends reducing Howard County’s funding level after having overfunded a project in its 75% recommendation. The A/B requests represent requests by LEAs that IAC has deemed to be eligible for funding. “A” projects have been allocated funding by IAC for the fiscal 2019 *Capital Improvement Program*, while “B” projects have not.

Source: Public School Construction Program; Department of Legislative Services

Supplemental Grant for EGRC

The supplemental capital grant program provides grants to local school systems that have enrollment growth that exceeds 150% of the statewide average or with more than 300 relocatable classrooms over a five-year period. These EGRC grants are allocated proportionally based on full-time equivalent enrollment. The grants are for the construction and renovation of public school facilities and are supplemental to the funding for the public school construction program. Projects funded are subject to the State and local cost-share formula for each school system and require approval by BPW. The EGRC program was provided \$20 million in fiscal 2016, its initial year. Program funding was doubled to \$40 million for fiscal 2017, and each year thereafter, by Chapters 665 and 666 of 2016. However, the General Assembly increased the fiscal 2018 EGRC allocation by \$22.5 million in one-time funding in the capital budget bill, providing a total of \$62.5 million in authorizations. Fiscal 2019 allocations for \$40 million included in the proposed capital budget are shown for the eligible LEAs in **Exhibit 4**.

Exhibit 4
Enrollment Growth or Relocatable Classroom
Supplemental Grant Authorizations
Fiscal 2016-2019 Est.
(\$ in Thousands)

<u>Local Education Agency</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 Est.</u>
Anne Arundel	\$3,019	\$6,038	\$9,480	\$6,056
Baltimore County	4,137	8,275	12,342	8,308
Dorchester	179	357	0	0
Howard	2,050	4,100	6,670	4,170
Montgomery	5,864	11,728	21,835	11,878
Prince George's	4,751	9,502	12,173	9,588
Total	\$20,000	\$40,000	\$62,500	\$40,000

Source: Public School Construction Program; Department of Legislative Services

Aging Schools

The fiscal 2019 capital budget funds the ASP at \$7.6 million in GO bond funding. This includes the statutory \$6.1 million and \$1.5 million to upgrade the mechanical system in the Dr. Roland N. Patterson Building that is leased by the Knowledge is Power Program Public (KIPP) Charter School in Baltimore City, which is in addition to the almost \$1.4 million that Baltimore City receives under statute. Approximately \$435,000 from prior year authorizations is also available in

fiscal 2019. **Exhibit 5** shows the fiscal 2019 allocation by LEA. **Public school buildings that are being leased by public charter schools, like KIPP, are eligible to receive public school construction funds, including ASP. However, ASP has never provided additional funding for a specified project. Therefore, the funding instead should be authorized through a miscellaneous grant.**

**Exhibit 5
Aging Schools Program Allocation
Fiscal 2019**

<u>Local Education Agency</u>	<u>2019 Allocation</u>	<u>Unexpended Funds</u>	<u>Total Allocation</u>
Allegany	\$97,791	\$0	\$97,791
Anne Arundel	506,038	11,672	517,710
Baltimore City*	2,887,924	115,000	3,002,924
Baltimore	874,227	0	874,227
Calvert	38,292	0	38,292
Caroline	50,074	75	50,149
Carroll	137,261	0	137,261
Cecil	96,024	19,990	116,014
Charles	50,074	514	50,588
Dorchester	38,292	0	38,292
Frederick	182,622	7,345	189,967
Garrett	38,292	30,114	68,406
Harford	217,379	1,213	218,592
Howard	87,776	0	87,776
Kent	38,292	15,005	53,297
Montgomery	602,651	0	602,651
Prince George's	1,209,426	217,911	1,427,337
Queen Anne's	50,074	1,571	51,645
St. Mary's	50,074	0	50,074
Somerset	38,292	7,128	45,420
Talbot	38,292	814	39,106
Washington	134,904	0	134,904
Wicomico	106,627	0	106,627
Worcester	38,292	6,682	44,974
Total	\$7,608,990	\$435,034	\$8,044,024

*Includes \$1.5 million specified for the Knowledge is Power Program Public Charter School.

Source: Public School Construction Program

Nonpublic Aging Schools

The Governor’s fiscal 2019 capital budget includes \$3.5 million for the Nonpublic Aging Schools program. Since the program was first funded in fiscal 2014, the State has provided \$17 million not including the proposed fiscal 2019 amount.

Language in the fiscal 2016 through 2018 authorizations required grant recipients to only be those nonpublic schools, excluding preschools, which met the eligibility requirements for funding through the Aid to Nonpublic Schools textbook and technology grants. The language also restricted an individual school’s grant to no more than \$100,000 and no less than \$5,000 and provided three criteria to determine maximum funding per school. The three criteria are (1) at least 20% of the school’s students being eligible for free and reduced-price meals; (2) tuition charged to students being less than the statewide average per pupil expenditure; and (3) the school having a facility with an average age of 50 years or older. The language specifies that schools may receive up to a maximum allocation based on how many criterion it meets. This language, which has also been included in the fiscal 2019 capital budget, sets the levels as follows:

- up to \$25,000 for schools meeting one criterion;
- up to \$75,000 for schools meeting two criteria; and
- up to \$100,000 for schools meeting three criteria.

MSDE adjusts the recommended allocations for schools in order to use the total allocation while also reflecting that some schools request lower than their eligibility level as outlined in the language. For previous analyses, MSDE has provided the levels it has set for each of the criteria levels in the current fiscal year as well as the recommended distribution of funds by county to be provided to BPW. However, no such data was available when this analysis was prepared. **MSDE should update the budget committees on the recommended distribution of funds for nonpublic aging schools in fiscal 2018 as well as the associated criteria level funding amounts.**

In fiscal 2018, instances of discrimination have been brought forth for schools participating in the Aid to Nonpublic Schools program, thereby jeopardizing their eligibility in the program and subsequently, the Nonpublic Aging Schools program. Some of these schools have received funding through the Nonpublic Aging Schools program in prior years. More analysis on the eligibility of nonpublic schools receiving funding through the State can be found in the MSDE Headquarters operating analysis.

Issues

1. Recycled Funding for Public School Construction

Every year, new funds are authorized for public school construction projects, primarily as GO bonds and sometimes as PAYGO. LEAs must use these funds for approved projects within two years or the funds revert to the Statewide Contingency Account. During the 2006 session, the General Assembly authorized – and later codified – LEAs to “reserve” unused previously authorized funds for an additional two years. Funds that are not spent by that LEA after two years are transferred to the unreserved balance of the Statewide Contingency Account where they may be allocated to a different LEA.

During the 2017 interim, the committees took an interest in the availability and use of contingency funds after it was learned that BCPS reverted a significant amount of prior authorized funds into its contingency account, which increased its reserved account to \$34.6 million as of June 30, 2017. BCPS’s contingency fund amassed such a large balance in part because of funds that were reverted for projects that were later identified to be undertaken in the 21st Century Schools Program. Another significant contributing factor results from BCPS often being unable to advance or forward fund projects, for which IAC provided only partial funding based on expected multiple year cash flow budgeting. This contingency funding was subsequently directed toward other projects, with \$20.3 million going to its fiscal 2018 CIP after requesting an amendment from IAC and \$11.9 million being directed to projects in fiscal 2019 after receiving authorization from IAC. It is worth noting that the 21st Century School Facilities Commission has recommended that the State consider implementing a revolving loan fund, which would help LEAs fund the local share of school construction costs, which could assist BCPS from having to revert such large amounts of funding to its contingency account in the future.

Through its examination of recycled funds, DLS has identified two issues regarding reporting. First, contingency funds as reported in annual CIPs do not reflect all contingency funds spent. For example, the \$20.3 million spent for BCPS in fiscal 2018 was under an amended CIP, which does not reflect the fiscal 2018 CIP document as published. Second, contingency funds for traditional PSCP do not represent all recycled funding for school construction in the State. Funds are also recycled from EGRC, Aging Public Schools, Nonpublic Aging Schools, QZABs, and various supplemental funding programs. Therefore, to only report on contingency funds as reported in CIP documents as the total amount of nonbudgeted funding for school construction in a given year does not represent a full description of recycled funding. **Exhibit 6** illustrates all of the various sources of public school construction recycled funds available for LEAs in fiscal 2019, while **Exhibit 7** shows funds that are unreserved and may be allocated to various LEAs. **PSCP should comment on the feasibility of creating reports for past fiscal years that reflect all recycled funding spent within those years, whether such reports could be made available in the future at the close of each fiscal year, and how it can simplify notifications of available contingency funds to LEAs and the General Assembly.**

Exhibit 6
Recycled Public School Construction Funds
Reserved for Local Education Agencies
Fiscal 2019

	<u>CFs Authorized for FY 2019</u>	<u>CFs Designated for FY 2019</u>	<u>CFs Designated for FY 2018 or 2019</u>	<u>EGRC Funds Available for FY 2019</u>	<u>FY 2012 Supplemental Appropriation</u>	<u>FY 2013 Energy Efficiency Initiative</u>	<u>FY 2014 Air Conditioning Initiative</u>	<u>Total Recycled Funding Available/ Allocated for Fiscal 2019</u>
Allegany	\$0	\$0	\$0	\$0	\$124,125	\$8,677	\$0	\$132,802
Anne Arundel	0	0	108,799	66,084	0	20,000	0	194,883
Baltimore County	0	236,553	871,052	0	619,964	0	0	1,727,569
Baltimore City	11,901,000	0	2,364,000	0	801,969	1,973,000	0	17,039,969
Calvert	0	0	0	0	0	23,910	0	23,910
Caroline	0	0	0	0	0	0	0	0
Carroll	0	782,041	54,705	0	3	0	0	836,749
Cecil	0	8,107	26,970	0	9,281	20,000	0	64,358
Charles	0	0	0	0	0	0	6,701	6,701
Dorchester	0	0	0	0	0	148,744	0	148,744
Frederick	0	360,322	13,038	0	0	0	0	373,360
Garrett	0	0	0	0	0	0	0	0
Harford	0	66,872	0	0	0	0	0	66,872
Howard	0	41,426	475,289	0	0	107,661	0	624,376
Kent	0	14,280	0	0	0	0	0	14,280
Montgomery	0	585,109	679,856	0	0	330,000	0	1,594,965
Prince George's	0	0	592,931	269,494	0	0	0	862,425
Queen Anne's	0	173,468	0	0	10,879	59,000	0	243,347
St. Mary's	0	0	0	0	28,065	564,127	0	592,192

DE0202 – BPW

	<u>CFs Authorized for FY 2019</u>	<u>CFs Designated for FY 2019</u>	<u>CFs Designated for FY 2018 or 2019</u>	<u>EGRC Funds Available for FY 2019</u>	<u>FY 2012 Supplemental Appropriation</u>	<u>FY 2013 Energy Efficiency Initiative</u>	<u>FY 2014 Air Conditioning Initiative</u>	<u>Total Recycled Funding Available/ Allocated for Fiscal 2019</u>
Somerset	0	30,597	0	0	28,345	110,000	0	168,942
Talbot	0	308,000	0	0	159	5,000	0	313,159
Washington	0	18,115	0	0	0	0	0	18,115
Wicomico	0	0	77,431	0	0	0	9,582	87,013
Worcester	0	0	0	0	2,676	123,550	0	126,226
MD School for the Blind	0	0	0	0	0	0	0	0
Total	\$11,901,000	\$2,624,890	\$5,264,071	\$335,578	\$1,625,466	\$3,493,669	\$16,283	\$25,260,957

CF: contingency fund

EGRC: enrollment growth or relocatable classroom

MD: Maryland

Note: Does not include funds for the Aging Schools Program, as those funds do not require a county match.

Source: Public School Construction Program; Department of Legislative Services

Exhibit 7
Statewide Unreserved Funds
Fiscal 2019

<u>Source</u>	<u>Funds Available</u>
Unreserved Contingency from <i>Capital Improvement Program*</i>	\$128,333
Emergency Repair Fund	500,000
Relocatable Repair Fund	247,931
QZABs	371,950
Fiscal 2014 Security Initiative	223,000
Total	\$1,471,214

LEA: local education agency

QZAB: Qualified Zone Academy Bond

*These funds were at one time reserved from specific LEAs but have reverted to the statewide account after the LEA did not allocate the funding after a two-year time limit.

Source: Public School Construction Program; Department of Legislative Services

2. The Recommendations of the 21st Century School Facilities Commission

The 21st Century School Facilities Commission was appointed by the President of the Senate and the Speaker of the House of Delegates in January 2016 to review all aspects of the current process by which public school facilities in the State are designed, funded, built, and maintained and to develop recommendations for improving the efficiency and cost effectiveness of that process as well as ensuring that the State is positioned to build modern schools for the twenty-first century. Its members included representatives from the private sector, including Mr. Martin G. Knott, Jr., who was appointed chair; State and local officials; teachers; and school board representatives. Its work began in April 2016 and concluded in December 2017. The commission's report, containing a summary of its work and 36 recommendations, was published January 2018. The commission's recommendations were organized around the following areas:

- funding and school construction needs;
- alternative financing and public-private partnerships;
- State and local roles in the school construction process;

DE0202 – BPW – Public School Construction

- educational specifications and space guidelines; and
- construction efficiencies and maintenance.

In its report, the commission recommended that the State should conduct a statewide facility assessment using an integrated data system that will enable LEAs to regularly assess school facilities in a uniform manner statewide. The assessment and integrated data system should be done by an outside vendor initially, and, to the extent feasible, draw from existing data sources that document the condition of school facilities in the State. Once the initial facility assessment is completed, the results should be shared with State and local officials, including LEAs, county governments, IAC members, and legislators, a group of whom should determine collaboratively how the results should be incorporated into funding decisions. **As there is \$4.9 million in PAYGO funding available for school construction in fiscal 2019 that has not yet been allocated by IAC, DLS advises that this funding could be reserved to facilitate the facilities assessment.**

Regarding funding, the commission recommended that the State should provide at least \$345 million for school construction in fiscal 2019, which is roughly the fiscal 2018 funding level (including supplemental funds for school systems with significant enrollment growth/relocatable classrooms but not including ASP or QZABs), and that revenues that exceed projections, particularly one-time revenues like bond premiums, should be considered to supplement school construction funding in fiscal 2019. The commission also found that the current funding level has not kept up with inflation based on the \$250 million annual goal set in fiscal 2006 and that as soon as practicable, the State should increase funding to at least \$400 million annually within the current debt affordability guidelines. The commission recognized that due to fiscal constraints, this goal may be phased in over several years and that once the initial school facility assessment is completed, the new \$400 million goal should be compared to the assessment results, which may result in developing a higher long-term funding goal.

The 21st Century School Facilities Act (SB 1243 and HB 1783) has been introduced for the 2018 session to implement the recommendations of the 21st Century School Facilities Commission. If enacted, this act would alter the requirements for awarding contracts to bidders for school buildings, require IAC to conduct a certain facility assessment, specify the process for the review and approval of public school construction projects, establish the Local Share of School Construction Costs Revolving Loan Fund to provide loans to local governments to forward fund the local share of school construction costs, and declare the intent of the General Assembly regarding funding for school construction, among other provisions.

PAYGO Recommended Actions

1. Concur with Governor's allowance.

GO Bond Recommended Actions

1. Reduce by \$1.5 million to remove funds for the Knowledge is Power Public Charter School.

DE0202A	Aging Schools Program	\$ 6,109,000
---------	-----------------------------	--------------

Add the following language:

Aging Schools Program. Provide additional grants for capital improvements, repairs, and deferred maintenance work at existing public school buildings. Grants shall be distributed to local boards of education in proportion to grants received under § 5–206 of the Education Article. ~~Provided that \$1,500,000 of this authorization shall be used for a grant to Baltimore City Public Schools for heating and air conditioning improvements in the Dr. Roland N. Patterson Building at the KIPP Public Charter School in Baltimore City.....~~

<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
7,609,000	-1,500,000	6,109,000

Explanation: This action reduces the authorization for the Aging School Program to remove funds for heating and air conditioning improvements at the Dr. Roland N. Patterson Building at the Knowledge is Power Public Charter School. A separate action provides a direct grant for this purpose in the Miscellaneous Grant Programs.

2. Approve the Governor’s \$309 million general obligation bond fund authorization for the Public School Construction Program.
3. Approve the Governor’s \$3.5 million general obligation bond fund authorization for the Nonpublic Aging Schools Program.
4. Approve the Governor’s \$40 million general obligation bond fund authorization for the Supplemental Capital Grant Program for Local School Systems.
5. Add funds for a grant to Baltimore City Public Schools for heating and air conditioning improvements at the Knowledge is Power Public Charter School.

ZA00AS	Knowledge is Power Public Charter School.....	\$ 1,500,000
--------	---	--------------

Add the following language:

(AS) Dr. Roland N. Patterson Building at the Knowledge is Power Public (KIPP) Charter School. Provide a grant to Baltimore City Public Schools

DE0202 – BPW – Public School Construction

for the planning, design, construction, repair, renovation, reconstruction, site improvements, and capital equipping of heating and air conditioning improvements in the Dr. Roland N. Patterson Building at the KIPP Charter School (Baltimore City) 1,500,000

<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
0	1,500,000	1,500,000

Explanation: This authorizes a grant to Baltimore City Public Schools to be used to fund heating and air conditioning infrastructure improvements in the Dr. Roland N. Patterson Building at the KIPP Charter School in Baltimore City.

Appendix 1
Total State Allocation for Public School Construction
Fiscal 1972 through Initial 2019 Allocation

<u>Local Education Agencies</u>	<u>Allocation</u>	<u>% of Total</u>
Allegany	\$143,640,362	1.8%
Anne Arundel	712,318,728	8.9%
Baltimore City	888,681,514	11.0%
Baltimore	830,706,925	10.3%
Calvert	198,237,880	2.5%
Caroline	79,895,069	1.0%
Carroll	247,135,943	3.1%
Cecil	157,567,011	2.0%
Charles	282,679,622	3.5%
Dorchester	109,635,045	1.4%
Frederick	447,324,277	5.6%
Garrett	53,314,950	0.7%
Harford	360,664,477	4.5%
Howard	531,172,993	6.6%
Kent	20,786,110	0.3%
Montgomery	1,128,981,295	14.0%
Prince George's	890,187,822	11.1%
Queen Anne's	88,378,860	1.1%
St. Mary's	189,260,247	2.4%
Somerset	104,631,073	1.3%
Talbot	33,803,613	0.4%
Washington	191,114,020	2.4%
Wicomico	203,437,760	2.5%
Worcester	71,310,361	0.9%
Maryland School for the Blind	59,389,781	0.7%
Statewide	18,114,498	0.2%
Total	\$8,042,370,236	100.0%

Source: Public School Construction *Capital Improvement Program*, Fiscal 2019