

**D25E03**  
**Interagency Committee on School Construction**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$2,001	\$2,070	\$2,071	\$2	0.1%
Adjustments	0	-30	16	45	
<b>Adjusted General Fund</b>	<b>\$2,001</b>	<b>\$2,040</b>	<b>\$2,087</b>	<b>\$47</b>	<b>2.3%</b>
<b>Adjusted Grand Total</b>	<b>\$2,001</b>	<b>\$2,040</b>	<b>\$2,087</b>	<b>\$47</b>	<b>2.3%</b>

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The adjusted fiscal 2019 allowance for the Interagency Committee on School Construction (IAC) reflects an increase of \$47,000 above the fiscal 2018 working appropriation. Increased spending on personnel accounts for \$30,000 of this change, primarily due to IAC budgeting to reclassify positions. The remainder is funds budgeted for employee development.
- IAC's adjusted fiscal 2018 working appropriation has been adjusted down by nearly \$30,000 due to an across-the-board employee and retiree health insurance reduction. The fiscal 2019 adjusted allowance is increased by nearly \$16,000 due to a 2% general salary increase that has been budgeted in the Department of Budget and Management.

Note: Numbers may not sum to total due to rounding.

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***Personnel Data***

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	<b><u>FY 17</u></b> <b><u>Actual</u></b>	<b><u>FY 18</u></b> <b><u>Working</u></b>	<b><u>FY 19</u></b> <b><u>Allowance</u></b>	<b><u>FY 18-19</u></b> <b><u>Change</u></b>
Regular Positions	19.00	19.00	19.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>19.00</b>	<b>19.00</b>	<b>19.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.70	3.69%
Positions and Percentage Vacant as of 12/31/17	4.00	21.05%

- The fiscal 2019 allowance for IAC does not have any changes in positions when compared to the fiscal 2018 working appropriation. However, it does currently have 4 vacancies. For an agency of its size, this results in a very high vacancy rate of 21%. These positions have all been vacant since at least September 2017. One position in particular, a program manager III, has been vacant since February 2017. **IAC should comment on how it is accomplishing its programmatic goals with such high turnover and the timeline for filling the vacant positions.**

## *Analysis in Brief*

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### Major Trends

***Maintenance Surveys Now Using Differential Accountability:*** One of the major goals of IAC is to promote well-maintained, safe physical environments in schools. In support of this goal, the Public School Construction Program (PSCP) conducts maintenance surveys of schools across the State. The fiscal 2017 survey marks the first year that IAC has directed PSCP to conduct its survey on a differential accountability schedule in which local education agencies (LEA) that have scored low in surveys in the past now receive a higher percentage of inspections than higher performing LEAs until they show improvement in their scores. Under this new methodology, scores regressed toward the middle in fiscal 2017, with 39% of schools surveyed receiving a score of “adequate” as compared to 31% in fiscal 2016. Scores of “superior” dropped from 8% to 4%, and scores of “good” dropped from 59% to 57%. However, fiscal 2017 is the first year since PSCP started performing surveys that no schools received a rating of “not adequate.”

***School Facilities Age Compared to State Average and Baseline:*** IAC maintains a goal for PSCP to promote equity in the quality of school facilities throughout the State, with the objective of improving, or at least holding constant, deviations for each LEA from the statewide average age of square footage of school facilities. The average age of school facilities statewide in fiscal 2017 was 29 years old, which matches last year. There are three LEAs, Allegany, Kent, and Prince George’s counties, that have facilities that are older when compared to the State average than they did in fiscal 2005 when the baseline was set.

### Issues

***The 21st Century School Facilities Commission:*** The 21st Century School Facilities Commission was appointed 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. It concluded its meetings in December 2017. Basing its findings around the themes of flexibility, streamlining the process, providing incentives, technical assistance, and transparency, the commission has made 36 recommendations. This issue describes recommendations that would have the most significant implications for IAC. **IAC should comment on the extent to which it agrees with these recommendations and others that have been put forward by the commission, and the impact they would have on IAC and PSCP’s operations and priorities. Specifically, IAC should comment on the timeline for procuring and completing the recommended statewide facilities assessment.**

### Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

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***Operating Budget Analysis***

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**Program Description**

School construction costs are shared by the State and local governments. The Interagency Committee on School Construction (IAC) administers the State Public School Construction Program (PSCP) under the authority of the Board of Public Works. The State funds its share of school construction primarily by issuing bonds and allocating the funds to local education agencies (LEA). IAC reviews requests for State funds for eligible projects such as renovations, additions, new schools, and systemic renovations. Local matching funds are required.

IAC also administers the Nonpublic Schools Program and the Aging Schools Program. More information about PSCP, the Nonpublic Schools Program, and the Aging Schools Program can be found in the capital budget analysis for the program (DE0202).

A limited number of employees of the Maryland State Department of Education (MSDE), the Department of General Services (DGS), and the Maryland Department of Planning support the activities of IAC and provide technical assistance to the public school systems.

IAC has the following goals in administering PSCP:

- promoting physical learning environments that support the educational goals of MSDE and LEAs;
- promoting well-maintained, safe physical environments in which to teach and learn; and
- promoting equity in the quality of school facilities throughout the State.

**Performance Analysis: Managing for Results**

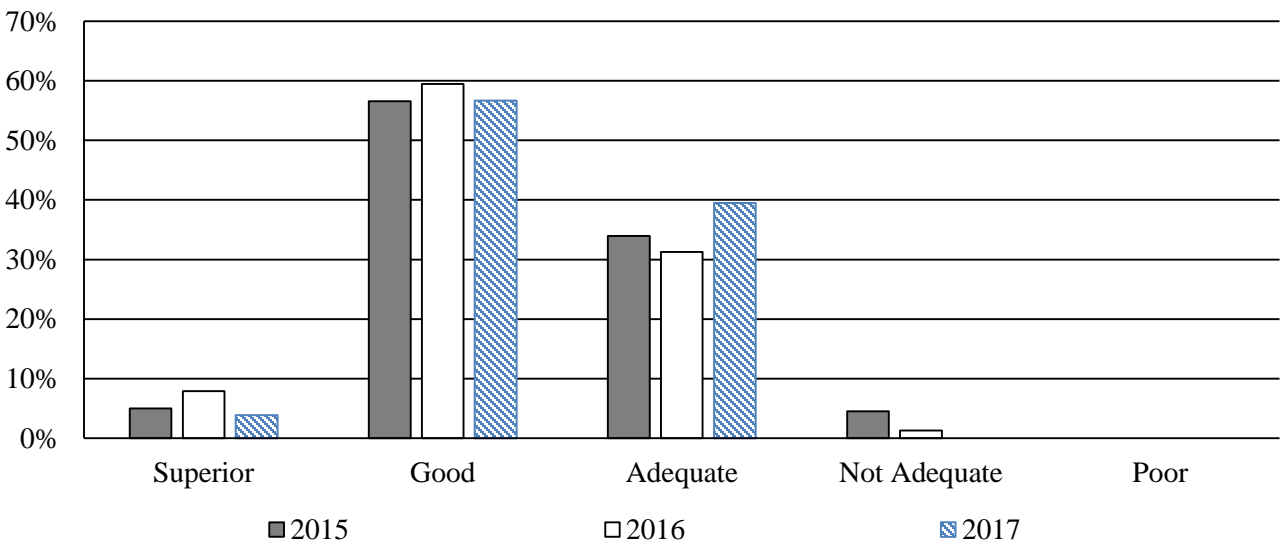
**1. Maintenance Surveys Now Using Differential Accountability**

One of the major goals of IAC is to promote well-maintained, safe physical environments in schools. In support of this goal, PSCP conducts maintenance surveys of schools across the State, conducting over 220 inspections annually across the State's 24 school systems. The results from the fiscal 2015 to 2017 surveys are shown in **Exhibit 1**.

The fiscal 2017 survey marks the first year that IAC has directed PSCP to conduct its survey on a differential accountability schedule. That is to say, LEAs that have received lower scores in the past now receive a higher percentage of inspections than higher performing LEAs until they show

improvement in their scores, as they are more likely to benefit from robust feedback. For this purpose, PSCP identified lower performance as 75% or less of a system’s schools being rated as “superior” or “good” over the past five years. Nine systems were identified: Baltimore City and Anne Arundel, Baltimore, Dorchester, Kent, Montgomery, Prince George’s, Somerset, and Worcester counties.

**Exhibit 1**  
**Maintenance Survey Ratings**  
**Fiscal 2015-2017**



Source: Interagency Committee on School Construction, *Maintenance of Maryland’s Public School Buildings*, Fiscal 2017

Under this new methodology, scores regressed toward the middle in fiscal 2017, with 39% of schools surveyed receiving a score of “adequate” as compared to 31% in fiscal 2016. Scores of “superior” dropped from 8% to 4%, and scores of “good” dropped from 59% to 57%. However, fiscal 2017 is the first year since PSCP started performing surveys that no schools received a rating of “not adequate.” PSCP states in its report that this is a noteworthy achievement in particular for Baltimore City Public Schools (BCPS) and speaks to the improving condition of schools for the district. BCPS’s schools fall within the adequate range in fiscal 2017, despite having the oldest schools inspected in the State. Of the 48 schools inspected, 11 had received a “not adequate” rating in a previous year.

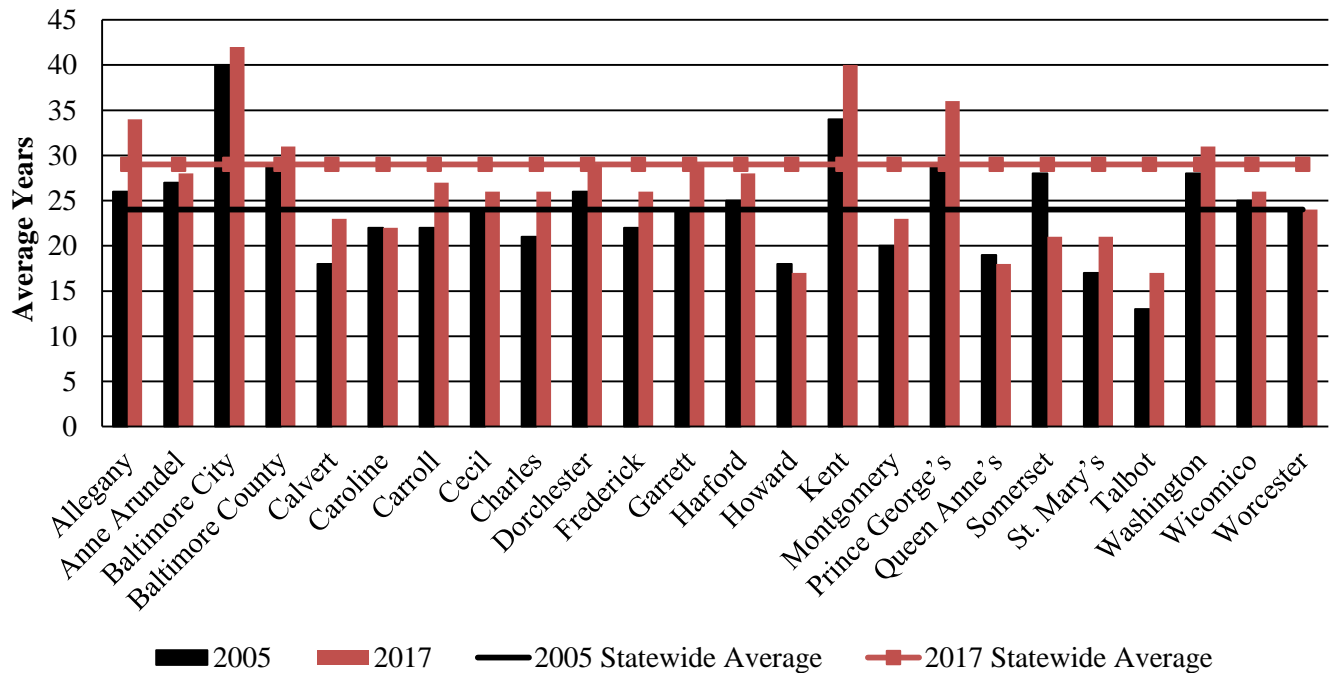
The importance of maintenance was a central topic for the 21st Century School Facilities Commission, which has been meeting since April 2016 to review aspects of school construction in the State and make recommendations for improving efficacy and cost effectiveness. One of the recommendations that has come out of the commission is that LEAs should be required to report annually on their preventative maintenance schedules and the preventative maintenance measures they

have carried out. The process by which they do this could better inform PSCP’s maintenance survey methodology. An issue later in the analysis will examine the full work of the 21st Century School Facilities Commission.

## 2. School Facilities Age Compared to State Average and Baseline

IAC maintains a goal for PSCP to promote equity in the quality of school facilities throughout the State, with the objective of improving, or at least holding constant, deviations for each LEA from the statewide average age of square footage of school facilities. The baseline State average for school facilities, determined in fiscal 2005, was 24 years old. The current average age of school facilities, statewide, is 29 years old. **Exhibit 2** shows the average age of school facilities in Maryland by county in both fiscal 2005 and 2017, as well as the statewide averages for those years. If a county’s individual average in fiscal 2017 is further above the statewide average than it was in fiscal 2005, this means its deviation has grown, and it now has older schools compared to the rest of the State than it did when the baseline was set. In fiscal 2017, this applies to Allegany, Kent, and Prince George’s counties. Baltimore City has the oldest school facilities in the State, with an average age of 42 years. Howard and Talbot counties have the newest school facilities with an average age of 17 years old.

**Exhibit 2**  
**Age of School Facilities**  
**Fiscal 2005 and 2017**



Source: Interagency Committee on School Construction, Fiscal 2005; Department of Budget and Management, Fiscal 2017

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These results show that IAC is doing a consistent job at providing newer school facilities in the State, as the statewide average age of 29 matches last year, and it is not far from the baseline age of 24 considering it was set 12 years ago. It is also worth noting that this indicator only reflects new construction or replacement projects, as systemic renovations are not included by PSCP as it determines how old school facilities are. This means that though the age of facilities is still an accurate indicator of quality, it does not capture the full investment when measuring for school construction outcomes.

**Across-the-board Employee and Retiree Health Insurance Reduction**

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency’s share of this reduction is \$29,710 in general funds.

**Proposed Budget**

As shown in **Exhibit 3**, the fiscal 2019 allowance reflects a \$47,000 increase over the fiscal 2018 working appropriation. This takes into account across-the-board adjustments for retiree health insurance and general salary increases.

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**Exhibit 3**  
**Proposed Budget**  
**Interagency Committee on School Construction**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
Fiscal 2017 Actual	\$2,001	\$2,001
Fiscal 2018 Working Appropriation	2,040	2,040
Fiscal 2019 Allowance	<u>2,087</u>	<u>2,087</u>
Fiscal 2018-2019 Amount Change	\$47	\$47
Fiscal 2018-2019 Percent Change	2.3%	2.3%

**Where It Goes:**

**Personnel Expenses**

General salary increase .....	\$16
Salaries .....	-50
Reclassification .....	45
Employee and retiree health insurance .....	30
Retirement.....	-10



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**Where It Goes:**

Turnover adjustments.....	3
Other fringe benefit adjustments.....	-3

**Other Changes**

Travel and training.....	12
Human resources contract.....	3
Association dues .....	3
Other .....	-2

<b>Total</b>	<b>\$47</b>
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Note: Numbers may not sum to total due to rounding.

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**General Salary Increase**

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$15,688 in general funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

**Personnel and Other Changes**

IAC receives an increase of \$30,000 in total for personnel expenditures. This is primarily due to \$45,000 budgeted for reclassifications. IAC is requesting these reclassifications so that it can hire 4 positions above base, as it has struggled to compete with private industry salaries as it has tried to fill its vacancies, particularly for its program manager III position. IAC also receives an increase of \$30,000 for employee and retiree health insurance, \$16,000 for the general salary increase, and \$3,000 for turnover adjustments. These increases are offset by decreases of \$50,000 for salaries, \$10,000 for retirement, and \$3,000 for other fringe benefits.

IAC has also budgeted an increase of \$12,000 in travel and training for employee development and \$3,000 for employees to participate in associations for peer sharing, certification, training seminars, and conferences.

## ***Issues***

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### **1. 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 work began in April 2016 and concluded in December 2017. Its members include representatives from the private sector, including Mr. Martin G. Knott, Jr. who was appointed chair, State and local officials, teachers, and school board representatives. Though the commission’s final report is still forthcoming, this issue does draw from the draft recommendations produced from the commission’s final meeting.

#### **Findings**

Throughout the commission’s work and deliberations, members arrived at a series of conclusions that strongly influenced the final recommendations on which they reached consensus. These conclusions encompass the five following themes:

- ***Flexibility:*** The responsibility for the design, construction, and maintenance of public school facilities is best left primarily to local school systems;
- ***Streamlining the Process:*** The State has a critical and appropriate role in overseeing the construction of public school facilities in the State, but should, within reasonable boundaries, minimize the burden on local school systems and offer flexibility to accommodate local priorities;
- ***Providing Incentives:*** The State must focus its limited resources on critical areas of need, especially in low-wealth jurisdictions including those with a higher proportion of students living in poverty, and those experiencing excessive enrollment growth to support robust capital programs;
- ***Technical Assistance:*** IAC can play a vital role in providing technical assistance and serving as a clearinghouse in these areas to stretch available dollars by using cost-effective building technologies, constructing green buildings with lower operating costs, pursuing alternative financing arrangements through public-private partnerships, and more; and
- ***Transparency:*** Only through a fully transparent process based on the merits of each project can all interests be weighed, all options be discussed, and all decisions be understood.

## **Recommendations**

The commission drew from its findings to make a total of 36 recommendations for the building and maintenance of school facilities in Maryland, responding to the charges it was given at its beginning. The implementation of every one of these recommendations would have some implication for IAC, as it would either be part of the implementation or execution of the recommendations, or would have to accommodate them as they were put in place. For the purposes of this issue, some of the recommendations that would have the most significant implications for IAC have been described below.

- **Recommendation 1:** 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. The State and LEAs should continually update the assessment. (Initial estimates for the cost of a one-time assessment is \$3.5 million.) The LEAs should work with the State to identify the data elements that should be maintained at the State level, utilizing existing reporting sources such as the Educational Facilities Master Plan and the Maryland Association of Boards of Education (for LEAs that participate in its insurance program) for data reporting to the extent possible. 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.
  
- **Recommendation 7:** The State should explore the possibility of creating a school construction authority that includes members with expertise in school construction to accelerate State school construction funding and provide more flexibility for financing school construction projects than traditional general obligation (GO) bonds. Although GO debt is typically the least expensive option for the State and moving to appropriation- or revenue-backed bonds increases the cost of debt, these higher costs may be offset by completing projects sooner and avoiding the inflationary costs. Alternative funding, such as a dedicated revenue source or perhaps combining State and local revenue should be considered. The State may also wish to consider creating a revolving loan fund (similar to the Water Quality Revolving Loan Fund for local wastewater and sewer costs) to help counties fund the local share of school construction costs.
  
- **Recommendation 13:** Although the commission recommends that the State should maintain a role in the review and approval of State-funded projects, the approval process should be streamlined to minimize unnecessary delays. Specifically, the commission recommends:
  - maintaining mandatory MSDE review and IAC approval of educational specifications and schematic designs for major construction projects but explore the possibility of altering the two review processes to save time. A rolling deadline for submission of each document, with schematic designs submitted following completion of educational specifications' review, should be considered;

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- eliminating required DGS review and IAC approval of change orders for both major construction and systemic renovation projects;
  - eliminating required DGS review and IAC approval of design and construction documents for both major construction and systemic renovation projects for local school systems that successfully complete a voluntary certification process that demonstrates that they have the expertise and capacity in their counties to complete those reviews in-house. A State certification process should (1) be developed by DGS; (2) be reviewed and approved by IAC; and (3) result in a renewable, multi-year certification for successful school systems. The State, in consultation with local school systems, should develop a timeline for submission and review/approval of design and construction documents for those local school systems that continue to rely on DGS/IAC review and approval;
  - eliminating MSDE review of any projects that are funded wholly with local funds unless they substantially alter or expand an existing school built in part with State funds; and
  - maintaining IAC review and approval of procurement contracts and payments/closeout.
- **Recommendation 19:** The State should convene a stakeholder group that includes LEA facility planners and others to review the square footage allocations that are currently used to calculate the State maximum allowable square footage for a project to identify any overly restrictive requirements and to determine if alternative methodologies or allocations could result in more efficient use of space in school buildings. The stakeholder group should provide its recommendations to IAC, including any regarding allocations for community use space including community schools, especially for schools with high proportions of students eligible for free and reduced-price meals, *i.e.*, living in poverty.
  - **Recommendation 23:** IAC should be a central repository for information on the use of prefabrication and building system options, procurement methods, school facility design and construction and, generally, best practices in school construction.

**IAC should comment on the extent to which it agrees with these recommendations and others that have been put forward by the commission and the impact that they would have on IAC and PSCP’s operations and priorities. Specifically, IAC should comment on the timeline for procuring and completing the recommended statewide facilities assessment.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

**Appendix 1**  
**Current and Prior Year Budgets**  
**Interagency Committee on School Construction**  
**(\$ in Thousands)**

	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Reimb.</u> <u>Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2017</b>					
Legislative Appropriation	\$1,927	\$0	\$0	\$0	\$1,927
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	92	0	0	0	92
Reversions and Cancellations	-18	0	0	0	-18
<b>Actual Expenditures</b>	<b>\$2,001</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,001</b>
<b>Fiscal 2018</b>					
Legislative Appropriation	\$2,070	\$0	\$0	\$0	\$2,070
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$2,070</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,070</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

## **Fiscal 2017**

General fund expenditures for the Interagency Committee on School Construction totaled \$2 million in fiscal 2017, reflecting an increase of nearly \$74,000.

- Budget amendments increased the legislative appropriation by approximately \$92,000. These budget amendments provided funds for accrued leave payouts, an interim personal services contract during the absence of the Public School Construction Program’s Executive Director, the reclassification of 2 positions, and salary increments.
- General fund reversions at the close of fiscal 2017 totaled approximately \$18,000. These occurred due to lower than budgeted personnel expenditures due to vacancies.

## **Fiscal 2018**

The fiscal 2018 general fund working appropriation is nearly \$2.1 million. This funding is unchanged from the legislative appropriation.

**Appendix 2**  
**Object/Fund Difference Report**  
**Interagency Committee on School Construction**

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	19.00	19.00	19.00	0.00	0%
<b>Total Positions</b>	<b>19.00</b>	<b>19.00</b>	<b>19.00</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,890,703	\$ 1,974,729	\$ 1,959,715	-\$ 15,014	-0.8%
02 Technical and Spec. Fees	12,387	550	0	-550	-100.0%
03 Communication	5,101	6,760	6,405	-355	-5.3%
04 Travel	21,965	10,000	21,500	11,500	115.0%
07 Motor Vehicles	10,920	10,000	11,000	1,000	10.0%
08 Contractual Services	28,683	33,480	35,482	2,002	6.0%
09 Supplies and Materials	15,908	14,500	15,000	500	3.4%
10 Equipment – Replacement	2,571	3,500	3,500	0	0%
11 Equipment – Additional	4,986	11,652	11,700	48	0.4%
13 Fixed Charges	7,303	4,506	6,920	2,414	53.6%
<b>Total Objects</b>	<b>\$ 2,000,527</b>	<b>\$ 2,069,677</b>	<b>\$ 2,071,222</b>	<b>\$ 1,545</b>	<b>0.1%</b>
<b>Funds</b>					
01 General Fund	\$ 2,000,527	\$ 2,069,677	\$ 2,071,222	\$ 1,545	0.1%
<b>Total Funds</b>	<b>\$ 2,000,527</b>	<b>\$ 2,069,677</b>	<b>\$ 2,071,222</b>	<b>\$ 1,545</b>	<b>0.1%</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.