

RA0702

Interagency Commission on School Construction – Capital

Capital Budget Summary

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

Program	2018 Approp.	2019 Approp.	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
Public School Construction Program	\$280.000	\$313.900	\$280.000	\$280.000	\$280.000	\$280.000	\$280.000
Building Opportunity Fund	0.000	0.000	45.000	280.000	380.000	500.000	600.000
Supplemental Capital Grant Program	62.500	68.200	40.000	40.000	40.000	40.000	40.000
Healthy School Facility Fund	0.000	0.000	30.000	30.000	0.000	0.000	0.000
Revolving Loan Fund	0.000	0.000	20.000	20.000	20.000	0.000	0.000
Public School Safety Improvements	0.000	20.000	10.000	10.000	10.000	10.000	10.000
Aging Schools Program	6.109	6.109	6.109	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
Nonpublic School Safety Improvements	0.00	3.500	3.500	0.000	0.000	0.000	0.000
Heating, Ventilation, and Air Conditioning Improvements	0.000	15.000	0.000	0.000	0.000	0.000	0.000
Qualified Zone Academy Bonds	4.823	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$356.932	\$430.209	\$438.109	\$669.609	\$739.609	\$839.609	\$939.609

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Fund Source	2018 Approp.	2019 Approp.	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
PAYGO GF	\$0.000	\$0.000	\$43.500	\$40.000	\$10.000	\$10.000	\$10.000
PAYGO SF	0.000	0.000	65.000	0.000	0.000	0.000	0.000
GO Bonds	356.932	401.709	329.609	329.609	329.609	329.609	329.609
Bond Premiums	0.000	28.500	0.000	0.000	0.000	0.000	0.000
Revenue Bonds	0.000	0.000	0.000	300.000	400.000	500.000	600.000
Total	\$356.932	\$430.209	\$438.109	\$669.609	\$739.609	\$839.609	\$939.609

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

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

Key Observations

- Funding for Public School Construction Projects:*** The Public School Construction Program (PSCP), the Supplemental Capital Grant Program, and the Building Opportunity Funds Program provide \$365 million in capital funding for school construction projects in fiscal 2020.
- New Public School Construction Initiatives:*** School construction initiatives for public and nonpublic school safety improvements received funding for the first time in fiscal 2019 and are funded again in fiscal 2020. Additionally, new initiatives for a Revolving Loan Fund for public school constructions costs (established under Chapter 14 of 2018) and for a Healthy School Facility Fund (established under Chapter 561 of 2018) are funded for the first time in fiscal 2020. Finally, the 2019 *Capital Improvement Program* (CIP) proposes a Building Opportunity Fund that has been proposed by legislation introduced for the 2019 session.

- ***Grant Management Concerns for Funds for Nonpublic Schools:*** Nonpublic schools that are allocated funds under the Senator James E. “Ed” DeGrange Nonpublic Aging Schools (DeGrange) Program do not always request their full funding amounts, resulting in unexpended funds that have accrued over time. Meanwhile, a school that was deemed ineligible for funding has been allocated funding for fiscal 2019 for both the DeGrange Program and the Nonpublic School Safety Grant Program.
- ***Language Reserves Funds for Charter Schools:*** Language in the fiscal 2020 operating budget specifies that certain amounts of the pay-as-you-go (PAYGO) general funds for the Healthy School Facility Fund and special funds for the Building Opportunity Fund shall be reserved to be used only for projects at public charter schools. The Department of Legislative Services (DLS) recommends deleting this language, as public charter schools located in facilities that are owned by a LEA or a public-private partnership (P3) lease-leaseback arrangement are eligible to receive public school construction funding.

Summary of Recommended PAYGO Actions

1. Strike language specifying the use of general funds from the Healthy Schools Facility Fund for public charter schools.
2. Strike language specifying the use of special funds for public school construction for public charter schools.
3. Add language to make the funding for the Revolving Loan Fund contingent on legislation.
4. Add language to the Nonpublic School Safety Grant to specify how funds are to be distributed.

Summary of Recommended Bond Actions

1. Aging Schools Program
Approve the Governor’s \$6.1 million general obligation bond fund authorization for the Aging Schools Program.
2. Public School Construction Program
Approve the Governor’s \$280 million general obligation bond fund authorization for the Public School Construction Program.

3. Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program

Add language to require that grants made under the Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program must be expended within three years, at which point any unspent funds must be transferred to the Unreserved Statewide Contingency Account for public school construction.

4. Supplemental Capital Grant Program for Local School Systems

Approve the Governor’s \$40 million general obligation bond fund authorization for the Supplemental Capital Grant Program for Local School Systems.

5. SECTION 2 – Public School Construction Program – Aging Schools Program

Approve the Governor’s proposal to amend language to extend the authorization of general obligation bond funds for the Aging Schools Program.

Program Description

Public School Construction

The 21st Century School Facilities Act (Chapter 14) revised the Interagency Commission on School Construction (IAC) and the review and approval of public school construction projects. Each year, local systems, including the Maryland School for the Blind, develop and submit facilities master plans to IAC that provide an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. Each master plan must be approved by the respective local school board. Subsequently, each local school system submits a *Capital Improvement Plan* to IAC that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, including projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county’s governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals that it receives, and subject to the projected level of school construction funds available, IAC determines which projects to fund. By December 31 of each year, IAC must approve projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school systems may appeal these preliminary decisions to IAC. By March 1 of each year, IAC must recommend to the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor’s capital budget. Following the legislative session, IAC approves projects comprising the remaining school construction funds included in the enacted capital budget, no earlier than May 1. The final allocations are not subject to appeal.

The State has provided supplemental public school construction funding for specific purposes in certain fiscal years. For fiscal 2019, the State provided \$15.0 million in funding from bond premiums for Baltimore City Public Schools to be used for heating, ventilation, and air conditioning systems. This funding was primarily in response to the all public schools in Baltimore City being closed in January 2018 for one day due to heating outages as a result of extremely cold weather and aging facilities that left students in unheated classrooms.

Supplemental Capital Grant Program

Chapter 355 of 2015 established the Supplemental Capital Grant Program to provide capital grants annually to local school systems with significant enrollment growth or relocatable classrooms (EGRC). This includes local school systems with 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 PSCP. Grant awards are subject to the State and local cost-share formula for each school system and require approval by IAC. Chapters 665 and 666 of 2016 increased the amount to be provided annually for the program from \$20 million to \$40 million.

Aging Schools

The Aging 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 and local cost-share formula used for State-funded school construction projects in the CIP does not apply to the ASP.

DeGrange Program

The DeGrange Program provides funds to nonpublic schools for improvements, repairs, school security improvements, and deferred maintenance in nonpublic school buildings. This program has existed since fiscal 2014 as the Nonpublic ASP, but was renamed for Senator James E. "Ed" DeGrange during the 2018 legislative session. Funds are distributed to eligible 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. The Maryland State Department of Education (MSDE) manages the program, while IAC administers the disbursement of funds.

Public and Nonpublic School Safety Improvements

Following the tragic shootings at Marjory Stoneman Douglas High School in Florida and at Great Mills High School in St. Mary’s County, actions were taken to make schools in the State safer by enhancing the security of school buildings. For public schools, \$20 million was allocated in fiscal 2019 to fund school safety enhancements (\$10 million in general fund PAYGO and \$10 million provided from bond premiums); meanwhile \$3.5 million was allocated for nonpublic schools, provided that they were already participating in the Aid to Nonpublic Schools Program for the purchase of textbooks and technology. All of this funding is overseen by IAC. Furthermore, the 21st Century School Facilities Act mandated that the Governor provide \$10 million annually in funding in fiscal 2020 and beyond for school safety capital grants. This \$10 million has been provided in the fiscal 2020 budget as general fund PAYGO. Additionally, \$3.5 million in general fund PAYGO has also been provided for nonpublic school safety grants in fiscal 2020, though these funds are not mandated, and no funds have been specified beyond fiscal 2020 in the Governor’s 2019 CIP.

The Healthy School Facility Fund

Chapter 561 established the Healthy School Facility Fund within IAC to provide grants to public schools to improve the health of school facilities, largely in response to January 2018 school closures for cold weather in Baltimore City. The Governor must appropriate \$30.0 million for the fund in fiscal 2020 and 2021, which must be in addition to funds that would otherwise be appropriated for public schools. IAC must administer the grant program. The Governor has provided \$30.0 million in general fund PAYGO for the Healthy School Facility Fund in fiscal 2020. However, the General Fund authorization contains language that specifies that \$2.6 million may be used only for projects at public charter schools. **DLS recommends deleting this language, as public charter schools located in facilities that are owned by a LEA or a P3 lease-leaseback arrangement are eligible to receive public school construction funding.**

The Building Opportunity Fund

The Building Opportunity Act of 2019 (SB 159 or HB 153) authorizes the Maryland Stadium Authority (MSA) to issue revenue bonds, backed by annual payments of \$125 million from the Education Trust Fund (ETF) beginning in fiscal 2021, with the proceeds deposited in one of two funds established by the bill to be used for public school construction projects in the State. Similar legislation has also been introduced this session. Further discussion of this initiative can be found in the Budget Overview section of this analysis.

The Revolving Loan Fund

The 21st Century School Facilities Act established an IAC-administered Revolving Loan Fund to provide low- or no-interest loans to local governments to assist them in forward funding the local share of school construction costs. The fund may be used only to provide low- or no-interest loans to

local governments. The fund is supplemental and is not intended to take the place of funding that otherwise would be appropriated to local governments for school construction. IAC will administer the fund and develop application procedures and eligibility criteria for loans from the fund. The fiscal 2020 budget includes \$20.0 million in ETF lock box special fund revenues to capitalize the fund. The Governor’s Building Opportunity Act proposes further capitalizing the loan with \$20 million in revenue bonds in fiscal 2021 and 2022. **DLS recommends making the \$20 million for the Revolving Loan Fund in fiscal 2020 contingent on enactment of the Building Opportunity Act, as that level of funding will only be necessary if it is being used to facilitate projects supported by the Building Opportunity Fund.**

Qualified Zone Academy Bonds Discontinued

The PSCP is no longer supplemented through the federal Qualified Zone Academy Bond (QZAB) Program that was not reauthorized by U.S. 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.

Budget Overview

The Governor’s full plan for school construction funding provides \$438.1 million from all sources in fiscal 2020 and then grows the funding to \$939.6 million by fiscal 2024, providing a total of \$3.6 billion over this time period. This plan, as detailed by fund source and purpose, is shown in **Exhibit 1**.

Exhibit 1
Public School Construction Initiative
Governor’s Plan
Fiscal 2020-2024
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Totals</u>
General Funds						
Healthy School Facility Fund	\$30.0	\$30.0	\$0.0	\$0.0	\$0.0	\$60.0
Public School Safety Improvements	10.0	10.0	10.0	10.0	10.0	50.0
Nonpublic School Safety Improvements	3.5	0.0	0.0	0.0	0.0	3.5
General Fund Subtotal	\$43.5	\$40.0	\$10.0	\$10.0	\$10.0	\$113.5
Special Funds						
Building Opportunity Fund – Education Trust Fund	\$45.0	\$0.0	\$0.0	\$0.0	\$0.0	\$45.0
Local Share of School Construction Costs Revolving Loan Fund	20.0	0.0	0.0	0.0	0.0	20.0
Special Fund Subtotal	\$65.0	\$0.0	\$0.0	\$0.0	\$0.0	\$65.0
GO Bonds						
Public School Construction Program	\$280.0	\$280.0	\$280.0	\$280.0	\$280.0	\$1,400.0
Supplemental Capital Grant Program	40.0	40.0	40.0	40.0	40.0	200.0
Aging Schools Program	6.1	6.1	6.1	6.1	6.1	30.5
Nonpublic Aging Schools Program	3.5	3.5	3.5	3.5	3.5	17.5
GO Bond Fund Subtotal	\$329.6	\$329.6	\$329.6	\$329.6	\$329.6	\$1,648.0
Subtotal	\$438.1	\$369.6	\$339.6	\$339.6	\$339.6	\$1,826.5
Revenue Bond Proceeds						
Building Opportunity Fund – Education Trust Fund	\$0.0	\$280.0	\$380.0	\$500.0	\$600.0	\$1,760.0
Local Share of School Construction Costs Revolving Loan Fund	0.0	20.0	20.0	0.0	0.0	40.0
Revenue Bond Proceeds Subtotal	\$0.0	\$300.0	\$400.0	\$500.0	\$600.0	\$1,800.0
Total	\$438.1	\$669.6	\$739.6	\$839.6	\$939.6	\$3,626.5

GO: general obligation

Source: Department of Budget and Management

The Building Opportunity Fund

The Building Opportunity Act authorizes MSA to issue up to \$1.8 billion in revenue bonds, backed by annual payments of \$125 million from the ETF beginning in fiscal 2021, with the proceeds deposited in one of two funds established by the bill to be used for public school construction projects in the State. This would operate in a very similar fashion to the funding for public school construction and revitalization in Baltimore City. MSA’s sale of bonds under the bill are subject to the approval of the Board of Public Works (BPW), and the bill establishes mechanisms and procedures for MSA and IAC to manage the payment of debt service and school construction projects. The Governor’s 2019 CIP includes \$45.0 million in special fund PAYGO from the ETF lock box to start the program as well as plans for funding from revenue bonds for the Building Opportunity Fund in future fiscal years growing from \$280 million in fiscal 2021 to \$600 million in fiscal 2024. It is worth noting that other legislation has been introduced for the 2019 session that would establish similar programs using lottery revenues instead of ETF lock box funds.

Public School Construction Program

State and local governments share in the cost of school construction projects. The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system’s wealth and ability to pay. The 21st Century School Facilities Act requires that the cost-share formula be recalculated every two years (previously, statute required recalculation every three years). The IAC approved the fiscal 2020 shares in January 2019 based on the recalculation completed in 2018. For fiscal 2019, BPW adopted one-year shares. **Exhibit 2** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2020, as approved by IAC.

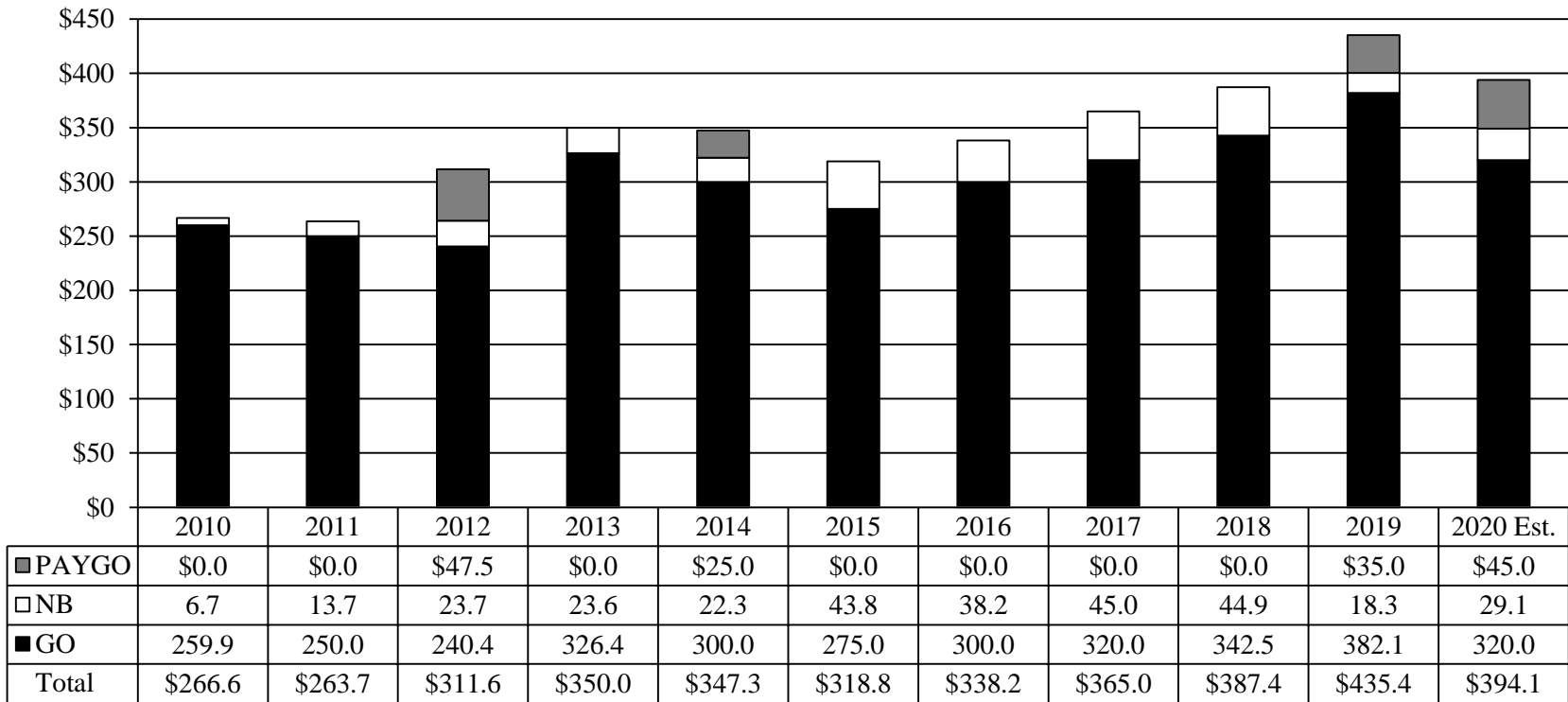
The 21st Century School Facilities Act also established the State’s intent to provide at least \$400 million annually as soon as practicable and within current debt affordability guidelines. **Exhibit 3** shows annual total school construction funding provided by the State from the fiscal 2010 through 2020 capital budget as introduced. As shown, the State far surpassed the \$400 million goal in fiscal 2019 with a total of \$435.4 million approved for public school construction funding. The fiscal 2020 capital budget totals \$394.1 million for public school construction projects, though this amount does not include funding for the Healthy School Facility Fund or the Revolving Loan Funds.

Exhibit 2
State Share of Eligible School Construction Costs
Fiscal 2020

<u>Local Education Agency</u>	<u>State Share</u>
Allegany	85%
Anne Arundel	50%
Baltimore City	91%
Baltimore	56%
Calvert	53%
Caroline	81%
Carroll	55%
Cecil	66%
Charles	61%
Dorchester	75%
Frederick	60%
Garrett	50%
Harford	60%
Howard	54%
Kent	50%
Montgomery	50%
Prince George's	70%
Queen Anne's	51%
St. Mary's	57%
Somerset	96%
Talbot	50%
Washington	71%
Wicomico	95%
Worcester	50%
Maryland School for the Blind	93%

Source: Interagency Commission on School Construction

**Exhibit 3
State Funding for School Construction
Fiscal 2010-2020 Est.
(\$ in Millions)**



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

Note: Fiscal 2019 PAYGO allocation includes \$25.0 million in projects supported by bond premiums. Amounts do not include funding for the 21st Century Schools Program for public school construction in Baltimore City.

Source: Public School Construction Program *Capital Improvement Program*, Fiscal 2006-2020; Department of Legislative Services

Fiscal 2020 CIP

The Governor’s total CIP allocation for school construction projects in fiscal 2020 is \$365 million, which includes \$280 million for the PSCP, \$40 million for EGRC, and the \$45 million for the Building Opportunity Fund.

For the \$280 million in general obligation (GO) bond funding, IAC met its requirement to approve 75% of the Governor’s fiscal 2020 preliminary capital budget in December 2018. However, IAC also worked over the 2018 interim to make public preliminary funding recommendations for the full 100% of the Preliminary Capital Budget so that LEAs may better anticipate how much funding they may receive. In previous years, only the 90% of the CIP would have been recommended at this time. The 75% authorized funding as well as the 90% and 100% recommendations are shown in **Exhibit 4**.

Exhibit 4 also details the requests that LEAs made to IAC, that total \$697.4 million for fiscal 2020, of which \$629.4 million has been determined by the IAC to be eligible for funding. This means that the IAC’s 90% recommendation covers 40% of eligible requests and 36% of total requests.

Exhibit 4
Public School Construction Funding Recommendations and Approvals
Fiscal 2020
(\$ in Thousands)

<u>Local Education Agency</u>	<u>75% Approved Funding</u>	<u>90% Additional Recommendation</u>	<u>100% Preliminary Recommendation</u>	<u>Total Fiscal 2020 CIP Funding Requests</u>	<u>A/B Request</u>	<u>Percent of A/B Request Funded by 90% Recommendation</u>
Allegany	\$2,276	\$2,730	\$3,034	\$3,034	\$3,034	90%
Anne Arundel	20,442	25,232	28,925	54,031	54,031	47%
Baltimore City	22,720	26,570	29,050	85,554	85,554	31%
Baltimore	23,180	27,824	31,365	165,515	113,495	25%
Calvert	1,455	1,745	1,938	1,938	1,938	90%
Caroline	9,345	10,314	13,845	13,845	13,845	74%
Carroll	5,317	6,593	6,847	8,849	8,849	75%
Cecil	2,213	2,963	3,213	4,000	4,000	74%
Charles	11,981	13,931	15,968	38,815	36,796	38%
Dorchester	3,294	3,951	4,391	4,404	4,404	90%
Frederick	13,751	16,392	18,250	22,643	22,643	72%
Garrett	241	241	362	1,965	456	53%
Harford	9,194	10,489	11,279	12,830	12,830	82%
Howard	1,688	1,688	1,688	16,116	16,116	10%
Kent	1,113	1,336	1,541	1,541	1,541	87%
Montgomery	27,017	31,267	33,716	115,421	107,178	29%
Prince George's	13,228	19,652	19,981	73,834	69,634	28%
Queen Anne's	505	606	652	673	673	90%
St. Mary's	3,476	4,151	4,600	7,992	7,992	52%
Somerset	2,371	2,845	3,157	3,161	3,161	90%
Talbot	6,925	8,170	9,000	12,707	12,707	64%

<u>Local Education Agency</u>	<u>75% Approved Funding</u>	<u>90% Additional Recommendation</u>	<u>100% Preliminary Recommendation</u>	<u>Total Fiscal 2020 CIP Funding Requests</u>	<u>A/B Request</u>	<u>Percent of A/B Request Funded by 90% Recommendation</u>
Washington	9,379	11,316	12,154	13,678	13,678	83%
Wicomico	9,639	11,026	12,709	14,167	14,167	78%
Worcester	3,252	3,902	4,336	4,336	4,336	90%
Maryland School for the Blind	6,000	7,067	8,000	16,339	16,339	43%
Total	\$210,000	\$252,000	\$280,000	\$697,387	\$629,396	40%

CIP: *Capital Improvement Program*

Note: Amounts do not include funding for the supplemental grant for enrollment growth or relocatable classrooms. The A/B requests represent projects requested by local education agencies that the Interagency Commission on School Construction has deemed eligible for funding. “A” projects have been allocated funding under preliminary recommendations, while “B” projects have not.

Source: Interagency Commission on School Construction; Department of Legislative Services

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The \$45 million in special fund PAYGO contains language that specifies that \$2.6 million may be used only for projects at public charter schools. **DLS recommends deleting this language, as public charter schools located in facilities that are owned by a LEA or a P3 lease-leaseback arrangement are eligible to receive public school construction funding.**

It should be noted that Prince George’s County is the only county in the State that has forward-funded projects that are still owed reimbursement from the State that must be paid from PAYGO due to the timing of the requested reimbursement. Under federal law, projects for which reimbursement is requested more than 18 months after the project has been completed cannot be reimbursed with GO bond proceeds and may only be reimbursed with PAYGO. The State currently owes Prince George’s County approximately \$9.3 million for four projects according to the IAC’s fiscal 2020 Maryland public school construction CIP. With the availability of PAYGO school construction funding for fiscal 2020, DLS notes that this funding could be used to reimburse these projects. **IAC should comment to the budget committees if it will plan to reimburse these forward-funded projects with available PAYGO funding in fiscal 2020.**

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 PSCP. 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. However, the General Assembly increased the EGRC allocation in fiscal 2018 to \$62.5 million and in fiscal 2019 to \$68.2 million. Allocations by LEA for EGRC authorizations from fiscal 2016 through the mandated fiscal 2020 amount are shown in **Exhibit 5**.

Exhibit 5
Enrollment Growth or Relocatable Classroom
Supplemental Grant Authorizations
Fiscal 2016-2020 Est.
(\$ in Thousands)

<u>Local Education Agency</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 Est.</u>
Anne Arundel	\$3,019	\$6,038	\$9,480	\$7,916	\$6,075
Baltimore County	4,137	8,275	12,342	10,853	8,267
Dorchester	179	357	0	0	0
Howard	2,050	4,100	6,670	5,446	4,186
Montgomery	5,864	11,728	21,835	25,912	11,869
Prince George's	4,751	9,502	12,173	18,073	9,603
Total	\$20,000	\$40,000	\$62,500	\$68,200	\$40,000

Source: Interagency Commission on School Construction; Department of Legislative Services

Aging Schools

The fiscal 2020 capital budget funds the ASP at approximately \$6.1 million in GO bond funding with each LEA receiving its mandated amount. Approximately \$721,000 from prior year authorizations is also available in fiscal 2020. **Exhibit 6** shows the fiscal 2020 allocation for the mandated fiscal 2020 allocation and the prior year unexpended funds that are available by LEA.

Exhibit 6
Aging Schools Program Allocation
Fiscal 2020

<u>Local Education Agency</u>	<u>2020 Allocation</u>	<u>Prior Year Available Funds</u>	<u>Total Available</u>
Allegany	\$97,791	\$0	\$97,791
Anne Arundel	506,038	0	506,038
Baltimore City	1,387,924	0	1,387,924
Baltimore	874,227	385,381	1,259,608
Calvert	38,292	690	38,982
Caroline	50,074	40	50,114
Carroll	137,261	0	137,261
Cecil	96,024	22,301	118,325

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<u>Local Education Agency</u>	<u>2020 Allocation</u>	<u>Prior Year Available Funds</u>	<u>Total Available</u>
Charles	50,074	6,019	56,093
Dorchester	38,292	0	38,292
Frederick	182,622	6,759	189,381
Garrett	38,292	0	38,292
Harford	217,379	25,708	243,087
Howard	87,776	0	87,776
Kent	38,292	6,699	44,991
Montgomery	602,651	0	602,651
Prince George’s	1,209,426	255,153	1,464,579
Queen Anne’s	50,074	3,940	54,014
St. Mary’s	50,074	0	50,074
Somerset	38,292	0	38,292
Talbot	38,292	7,960	46,252
Washington	134,904	0	134,904
Wicomico	106,627	0	106,627
Worcester	38,292	0	38,292
Total	\$6,108,990	\$720,650	\$6,829,640

Source: Interagency Commission on School Construction

During the 2012 session, \$31.1 million in GO bond funding was provided for the ASP for fiscal 2013. These bond funds were authorized through fiscal 2019. However, \$908,000 of this spending has yet to be spent. Language has been included in the fiscal 2020 capital budget to extend the authorization of these funds through fiscal 2021. DLS recommends adopting this language.

The DeGrange Program

The Governor’s fiscal 2020 capital budget includes \$3.5 million for the DeGrange Program that matches the annual amount that the program has received since fiscal 2014. Language in the fiscal 2016 through 2019 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 Program. 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 (FRPM); (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 2020 capital budget, sets the levels as follows:

- up to \$25,000 for schools meeting one criterion;

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- 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 fiscal 2019, MSDE has set, and IAC has approved, the following levels:

- up to \$7,758 for schools meeting one criterion;
- up to \$23,274 for schools meeting two criteria; and
- up to \$31,302 for schools meeting three criteria.

The by county distribution of these funds for fiscal 2019 is displayed in **Exhibit 7**. These amounts represent the maximum amounts available for projects according to their funding levels.

Exhibit 7
DeGrange Program Funding
Allocation by Location of Nonpublic Schools
Fiscal 2019
(\$ in Thousands)

<u>County</u>	<u>Projects</u>	<u>Allocation</u>
Allegany	2	\$16
Anne Arundel	13	194
Baltimore City	28	690
Baltimore	35	829
Calvert	3	39
Caroline	0	0
Carroll	3	39
Cecil	4	78
Charles	4	62
Dorchester	0	0
Frederick	5	70
Garrett	0	0
Harford	4	57
Howard	6	78
Kent	0	0
Montgomery	32	574
Prince George's	23	396

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<u>County</u>	<u>Projects</u>	<u>Allocation</u>
Queen Anne’s	1	31
St. Mary’s	5	109
Somerset	0	0
Talbot	3	70
Washington	4	101
Wicomico	4	62
Worcester	1	8
Total	180	\$3,500

Source: Interagency Commission on School Construction

DeGrange Funds Available from Prior Fiscal Years

After recent examination of usage of DeGrange Program funding, IAC identified that approximately \$400,000 in funding has gone unallocated since the program began in fiscal 2014. This is due to a variety of reasons, including annual eligible requests for funding from nonpublic schools being below that fiscal year’s appropriated amount as well as nonpublic schools not requiring reimbursements for the entire appropriated amount available due to projects being completed at lower costs or being canceled. **Therefore, in order to simplify and streamline the process by which unexpended funds may be reallocated to new purposes, DLS recommends that language be added to the DeGrange Program appropriation requiring that grant funding must be expended within three years of when the funding was made available and that any unexpended funds after that time period must be transferred to the Unreserved Statewide Contingency Account for public school construction.**

Public School Safety Improvements

Public schools have been allocated \$20 million in fiscal 2019 for capital expenses for school safety improvements, with \$10 million being funded from bond premiums, and \$10 million funded from general fund PAYGO, with all funds being administered by IAC. According to its administrative procedures guide for the program, IAC will be disbursing the funds for projects in two rounds of \$10 million each. All approved projects have a local match requirement, based on the State-local cost-share percentage applicable to projects approved in the fiscal 2019 CIP. Unlike typical CIP projects, requests may be submitted for security projects in schools that have been built or fully renovated within the last 15 years; in which the anticipated life of the system or components is less than 15 years due to anticipated changes in technology; for locally owned and State-owned relocatable classrooms, including the movement of relocatable classrooms under certain circumstances; or that were implemented by a board of education after September 1, 2017, and prior to the effective date of the program’s administrative procedure. Eligible projects include the following:

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- secure and lockable classroom doors for each classroom in the school;
- an area of safe visual refuge in each classroom in the school;
- surveillance and other security technology for school monitoring purposes; and
- other security and safety projects as identified by an LEA. These projects will be reviewed on a case-by-case basis, based on the description provided; supporting documentation; local board policies; and availability of funds, technical merit, and cost effectiveness.

The first round of \$10 million has been allocated to LEAs in two components: \$5 million has been distributed proportionally based on enrollment at the LEA; while the other \$5 million has been allocated based proportionally based on total square footage for school facilities within the LEA. The allocations of the first round are shown in **Exhibit 8**. To date, LEAs have requested \$7.1 million in projects of which \$5.3 million has been allocated for a total of 155 projects; 15 LEAs still have available funding from their Round 1 allocation. The requests and approvals by county are shown in **Exhibit 9**. **IAC should explain to the budget committees when it plans to make Round 2 of the fiscal 2019 capital funding for school safety improvements available to LEAs and whether or not it plans to use the same allocation methodology for Round 2.**

Exhibit 8
Public School Safety Improvements Capital Funding
Round 1 Allocations
Fiscal 2019
(\$ in Thousands)

<u>Local Education Agency</u>	<u>Allocation By Enrollment</u>		<u>Allocation by Total Square Footage of School Facilities</u>		<u>Grand Total</u>	<u>% of Grand Total</u>
	<u>Distribution</u>	<u>% of Total</u>	<u>Distribution</u>	<u>% of Total</u>		
Allegany	\$47	0.95%	\$63	1.27%	\$110	1.10%
Anne Arundel	467	9.33%	475	9.50%	942	9.42%
Baltimore City	435	8.69%	636	12.72%	1,071	10.71%
Baltimore County	635	12.70%	584	11.68%	1,219	12.19%
Calvert	90	1.79%	85	1.71%	175	1.75%
Caroline	32	0.64%	30	0.61%	62	0.62%
Carroll	145	2.90%	149	2.98%	294	2.94%
Cecil	86	1.72%	80	1.59%	166	1.66%
Charles	151	3.03%	141	2.81%	292	2.92%
Dorchester	26	0.53%	34	0.68%	60	0.60%
Frederick	237	4.73%	231	4.62%	468	4.68%
Garrett	21	0.42%	26	0.53%	47	0.47%
Harford	214	4.28%	221	4.42%	435	4.35%
Howard	322	6.43%	290	5.79%	612	6.12%
Kent	11	0.22%	16	0.31%	27	0.27%
Montgomery	909	18.23%	863	17.26%	1,772	17.72%
Prince George's	738	14.75%	643	12.85%	1,381	13.81%
Queen Anne's	44	0.88%	46	0.92%	90	0.90%
St. Mary's	100	1.99%	82	1.64%	182	1.82%

<u>Local Education Agency</u>	<u>Allocation By Enrollment</u>		<u>Allocation by Total Square Footage of School Facilities</u>		<u>Grand Total</u>	<u>% of Grand Total</u>
	<u>Distribution</u>	<u>% of Total</u>	<u>Distribution</u>	<u>% of Total</u>		
Somerset	16	0.31%	22	0.43%	38	0.38%
Talbot	26	0.51%	25	0.50%	51	0.51%
Washington	127	2.54%	120	2.39%	247	2.47%
Wicomico	83	1.67%	79	1.57%	162	1.62%
Worcester	37	0.73%	44	0.88%	81	0.81%
Maryland School for the Blind	1	0.02%	15	0.30%	16	0.16%
Total	\$5,000		\$5,000		\$10,000	

Source: *Administrative Procedures Guide Fiscal 2019 School Safety Grant Program (FY19-SSGP) Round I Funding*, Interagency Commission on School Construction; Department of Legislative Services

Exhibit 9
Public School Safety Improvements Capital Funding
Funds Requested and Approved to Date
Fiscal 2019
(\$ in Thousands)

<u>Local Education Agency</u>	<u>Round 1 Allocation</u>	<u>Allocated Funds Requested by LEAs</u>	<u>Requested Funds Approved by IAC</u>	<u>Funds Remaining</u>
Allegany	\$110	\$0	\$0	\$110
Anne Arundel	942	942	942	0
Baltimore City	1,071	1,035	1,035	36
Baltimore County	1,219	0	0	1,219
Calvert	175	175	175	0
Caroline	62	0	0	62
Carroll	294	146	146	148
Cecil	166	166	166	0
Charles	292	0	0	292
Dorchester	60	0	0	60
Frederick	468	493	468	0
Garrett	47	0	0	47
Harford	435	211	211	224
Howard	612	0	0	612
Kent	27	27	27	0
Montgomery	1,772	1,772	0	1,772
Prince George's	1,381	1,378	1,378	3
Queen Anne's	90	90	90	0
St. Mary's	182	182	182	0
Somerset	38	38	38	0
Talbot	51	0	0	51
Washington	247	247	247	0
Wicomico	162	162	134	28
Worcester	81	0	0	81
Maryland School for the Blind	16	16	16	0
Total	\$10,000	\$7,080	\$5,255	\$4,745

IAC: Interagency Commission on School Construction
 LEA: local education agency

Source: Interagency Commission on School Construction

Nonpublic School Safety Improvements

Nonpublic schools have been provided \$3.5 million in funding from bond premiums in fiscal 2019 for capital safety improvements. Payment for work completed under this program will be through reimbursement to the grant recipient – the nonpublic school. No matching funds are required, but the school shall be responsible for all project costs exceeding the amount of the grant. In order to qualify for a grant, nonpublic schools must also participate in the Aid to Non-Public Schools Program. The maximum grant amount is \$65 per student, except where at least 20% of the students are eligible for the FRPM program, the maximum grant amount is \$85 per student. The minimum grant amount is \$5,000 per eligible school. **As the language for participation in the program and distribution of funding has not been included for the fiscal 2020 administration of the program, DLS recommends that this language be updated and restored.**

In its guidelines for the program, IAC has required that projects for nonpublic schools must meet the same eligibility criteria as those for public schools. IAC has received \$3.3 million in requests in fiscal 2019 for 168 projects, meaning that \$177,000 remains available. The distribution of requests for projects by county is shown in **Exhibit 10**.

Exhibit 10
Nonpublic School Safety Improvements Capital Funding
Requests by Location of Nonpublic Schools
Fiscal 2019
(\$ in Thousands)

<u>County</u>	<u>Projects</u>	<u>Requests</u>
Allegany	2	\$36
Anne Arundel	13	298
Baltimore City	24	430
Baltimore County	32	868
Calvert	3	24
Caroline	0	0
Carroll	3	19
Cecil	4	57
Charles	3	57
Dorchester	0	0
Frederick	5	43
Garrett	0	0
Harford	3	71
Howard	3	51
Kent	0	0
Montgomery	32	618
Prince George's	24	466
Queen Anne's	1	5

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<u>County</u>	<u>Projects</u>	<u>Requests</u>
St. Mary’s	6	112
Somerset	0	0
Talbot	2	37
Washington	4	58
Wicomico	4	73
Worcester	0	0
Total	168	\$3,323
Total Allocation		\$3,500
Available		\$177

Source: Interagency Commission on School Construction

Contingency Funds

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 from which it may be recycled for other projects. 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 Statewide Contingency Account where it may be allocated to a different LEA. **Exhibit 11** shows contingency funds that LEAs had reserved as of December 31, 2018, a total of \$24.0 million. Most of these funds will be available for LEAs to apply to their fiscal 2020 CIP, while some may still be used to pay for projects in fiscal 2019. **Exhibit 12** shows funds that are unreserved and may be allocated to any LEA, as well as the source from which it is available. Prince George’s County has the largest amount of contingency funds available to be reallocated, \$13.1 million, in fiscal 2020. This is a significant amount of funding that was previously authorized for specific school construction projects but for some reason was not expended for that project and is now available to be reallocated. **IAC should comment on the reasons for the large contingency balance for Prince George’s County and plans to spend it down.**

Exhibit 11
Recycled Public School Construction Funds
Reserved for Local Education Agencies
As of December 31, 2018
(\$ in Thousands)

<u>Local Education Agency</u>	<u>CFs Available for Fiscal 2020</u>	<u>CFs Designated for Fiscal 2019 or 2020</u>	<u>EGRC Funds Available for Fiscal 2020</u>	<u>Fiscal 2012 Supplemental Appropriation</u>	<u>Fiscal 2014 Air Conditioning Initiative</u>	<u>Total</u>
Allegany	\$0	\$0	\$0	\$6	\$0	\$6
Anne Arundel	897	799	0	0	0	1,696
Baltimore County	0	0	0	0	0	0
Baltimore City	0	2,612	0	84	0	2,696
Calvert	0	0	0	0	0	0
Caroline	0	154	0	0	0	154
Carroll	242	0	0	0	0	242
Cecil	814	0	0	0	0	814
Charles	0	0	0	0	7	7
Dorchester	0	114	0	0	0	114
Frederick	97	43	0	0	0	140
Garrett	94	76	0	0	0	170
Harford	940	0	0	0	0	940
Howard	0	0	1,631	0	0	1,631
Kent	14	0	0	0	0	14
Montgomery	364	1,728	0	0	0	2,092
Prince George's	10,034	121	2,936	0	0	13,092
Queen Anne's	21	0	0	11	0	32
St. Mary's	105	0	0	0	0	105
Somerset	4	0	0	0	0	4
Talbot	0	0	0	0	0	0

<u>Local Education Agency</u>	<u>CFs Available for Fiscal 2020</u>	<u>CFs Designated for Fiscal 2019 or 2020</u>	<u>EGRC Funds Available for Fiscal 2020</u>	<u>Fiscal 2012 Supplemental Appropriation</u>	<u>Fiscal 2014 Air Conditioning Initiative</u>	<u>Total</u>
Washington	61	0	0	0	0	61
Wicomico	0	0	0	0	15	15
Worcester	0	0	0	0	0	0
Maryland School for the Blind	0	0	0	0	0	0
Total	\$13,689	\$5,646	\$4,567	\$101	\$22	\$24,025

CF: contingency funds

EGRC: enrollment growth or relocatable classrooms

Note: These amounts do not include available funds for heating, ventilation, and air conditioning or funds available for the school safety grant program as final determinations had not been made for these funds as of December 31, 2018.

Source: Interagency Commission on School Construction; Department of Legislative Services

Exhibit 12
Recycled Public School Construction Funds
Statewide Unreserved
As of December 31, 2018
(\$ in Thousands)

Unreserved Contingency from the <i>Capital Improvement Program</i>	\$246
Emergency Repair Fund	500
Relocatable Repair Fund	248
QZABs	587
Fiscal 2013 Energy Efficiency Initiative	3,494
Total	\$5,075

QZAB: Qualified Zone Academy Bond

Source: Interagency Commission on School Construction; Department of Legislative Services

Issues

1. Disqualified Nonpublic Schools Receiving Funds

In order to participate in the DeGrange Program or the Nonpublic School Safety Improvements Program in fiscal 2019, nonpublic schools must first be participants in the Aid to Non-Public Schools Program. Therefore, compliance requirements as they pertain to discrimination in student admissions and employment are implemented for the nonpublic schools capital programs through the Aid to Non-Public Schools Program. Similar requirements are shared by the Broadening Options and Opportunities for Students Today (BOOST) Program that provides awards to low-income students to attend nonpublic schools.

In fiscal 2018, some nonpublic schools that had signed nondiscrimination assurances were reported to have been in violation of the agreement. In response, the board that oversees the BOOST Program made schools that were found to be in violation ineligible to receive BOOST awards in fiscal 2018. During the 2018 session, the General Assembly added language to the Aid to Non-Public Schools Program in the fiscal 2019 Budget Bill that required discriminatory schools to return materials acquired under the program to MSDE, disallowed schools that were found to be in violation of the agreement in fiscal 2018 to participate in fiscal 2019, and expressed the intent that any school found to be in violation of the nondiscrimination agreement should be ineligible to participate in the Aid to Non-Public Schools Program, the BOOST Program, or the DeGrange Program in the year of the violation and the following two years. The General Assembly also acted through the Budget Reconciliation and Financing Act of 2018 (Chapter 10) to specify that any nonpublic school

that the BOOST Board had deemed to be in violation in fiscal 2018 would also not be funded in the Aid to Non-Public Schools Program in that year. Finally, the General Assembly added language to require all schools participating in the Nonpublic ASP to submit their student handbook or other written policy regarding student admissions to MSDE to ensure compliance. MSDE has dedicated staff to review these handbooks for fiscal 2019 and has cleared its first review with no issues found.

However, a school that was determined to be in violation of the nondiscrimination agreement in fiscal 2018 by the BOOST Board in fiscal 2018 is receiving funds under both of the nonpublic schools capital programs in fiscal 2019. This indicates that this school is also participating in the Aid to Non-Public Schools Program, after having changed its student handbook or admission policies after fiscal 2018. Under the requirements put in place by the General Assembly, this school should not be allowed to participate in the BOOST Program or the nonpublic school aid programs in fiscal 2019. It is possible that these issues occurred due to timing issues that exist for MSDE in allocating funds and identifying ineligible schools. These issues are discussed in detail in the MSDE – Funding for Educational Organizations operating analysis (R00A03). To avoid these issues in the future, the budget committees may consider amending language to the appropriation for the program to specify that schools receiving funding must have participated in the Aid to Non-Public Schools Program in the prior academic year.

IAC should explain to the budget committees if funds for ineligible nonpublic schools have already been disbursed and whether there are any mechanisms to have those funds returned.

PAYGO Recommended Actions

1. Strike the following language to the general fund appropriation:

~~provided that \$1,200,000 of the amount for the Healthy Schools Facility Fund may be used only for projects at Public Charter Schools. This funding shall not preclude or diminish the availability of State funding for projects at Public Charter Schools from other school construction funding programs~~

Explanation: This action strikes language specifying the use of general funds from the Healthy Schools Facility Fund for public charter schools. Under current law, public charter schools located in facilities that are owned by a local education agency or a public-private partnership lease-leaseback arrangement are eligible to receive public school construction funding.

2. Strike the following language to the special fund appropriation:

~~provided that \$2,600,000 of the amount for the Public School Construction may be used only for projects at Public Charter Schools. This funding shall not preclude or diminish the availability of State funding for projects at Public Charter Schools from other school construction funding programs~~

Explanation: This action strikes language specifying the use of public school construction pay-as-you-go special funds for public charter schools. Under current law, public charter schools located in facilities that are owned by a local education agency or a public-private partnership lease-leaseback arrangement are eligible to receive public school construction funding.

3. Add the following language to the special fund appropriation:

Special Fund Appropriation, provided that \$20,000,000 of this appropriation made for the purpose of a Public School Construction – Revolving Loan Fund is contingent on the enactment of SB 159 or HB 153.

Explanation: This action makes the funding for the Public School Construction – Revolving Loan Fund contingent on the enactment of the Building Opportunity Act of 2019 (SB 159 or HB 153). The \$20 million for the Revolving Loan Fund in fiscal 2020 provided from the Education Trust Fund Lock Box is only necessary at that level of funding if it is being used to facilitate projects supported by the Building Opportunity Fund that would be established by enactment of the bill.

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4. Add the following language to the general fund appropriation:

General Fund Appropriation, provided that \$3,500,000 of this appropriation made for the purpose of Nonpublic School Safety Grants shall be distributed as grants to nonpublic schools in Maryland for school safety improvements. Provided that grants may be provided only to nonpublic schools who were eligible to participate in Aid to Non-Public Schools R00A03.04 (for the purchase of textbooks or computer hardware and software for loans to students in eligible nonpublic schools) during the 2018-2019 school year, with a maximum amount of \$65 per eligible nonpublic school student for participating schools, except that at schools where at least 20% of the students are eligible for free or reduced-price meal program, there shall be a distribution of \$85 per student and no individual school may receive less than \$5,000. Further provided that the funds shall be administered by the Interagency Commission on School Construction.

Explanation: This action adds language to the general fund appropriation for the Nonpublic School Safety Grants program that specifies the amounts of funding participating nonpublic schools are eligible to receive. This action updates and restores the language under which the program was administered for fiscal 2019.

GO Bond Recommended Actions

1. Approve the Governor’s \$6.1 million general obligation bond fund authorization for the Aging Schools Program.
2. Approve the Governor’s \$280 million general obligation bond fund authorization for the Public School Construction Program.
3. Add language to require that grants made under the Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program must be expended within three years, at which point any unspent funds must be transferred to the Unreserved Statewide Contingency Account for public school construction.

RA0702C	Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program.....	\$ 3,500,000
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Add the following language:

Further provided that grants made to nonpublic schools shall be expended within three years of the date that funding for the grants became available. Any funding for grants that is unexpended following three years of having become available shall be transferred to the Unreserved Statewide Contingency Account for public school construction.

Explanation: Currently, if funding made available for grants to nonpublic schools under the Senator James E. “Ed” DeGrange Nonpublic Aging Schools (DeGrange) Program is not expended by specified dates for reimbursement set by the Interagency Commission on School Construction, that unexpended funding does not have a specified purpose. This action requires that grants made under the DeGrange Program must be expended within three years of when they are made available and that any funding that has gone unexpended in the following three years must be transferred to the Unreserved Statewide Contingency Account to be made available for public school construction.

4. Approve the Governor’s \$40 million general obligation bond fund authorization for the Supplemental Capital Grant Program for local school systems.
5. Approve the Governor’s proposal to amend language to extend the authorization of general obligation bond funds for the Aging Schools Program.