

R00A07
Interagency Commission on School Construction

Executive Summary

The Interagency Commission on School Construction (IAC) reviews, analyzes, and approves requests for State funds for capital improvement projects for public school buildings from each local education agency (LEA).

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$1,949	\$6,971	\$2,883	-\$4,089	-58.6%
Adjustments	0	236	57	-179	
Adjusted General Fund	\$1,949	\$7,207	\$2,940	-\$4,267	-59.2%
 Adjusted Grand Total	 \$1,949	 \$7,207	 \$2,940	 -\$4,267	 -59.2%

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

- The fiscal 2019 working appropriation includes a \$223,327 deficiency appropriation to implement the 21st Century School Facilities Act (Chapter 14 of 2018), primarily for the hiring and reclassification of staff. The fiscal 2019 working appropriation also includes \$10,203 for bonuses and \$1,985 for the 0.5% general salary increase.
- The fiscal 2020 allowance decreases by \$4.3 million compared to the fiscal 2019 working appropriation, primarily due to the one-time cost of a contract for a statewide facilities assessment (SFA) and an integrated facilities data system (IFDS) in fiscal 2019, as required under the 21st Century School Facilities Act, though this is offset slightly by increased costs for personnel and other operating expenditures as IAC expands its responsibilities under the law.

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

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Personnel Data

	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 19-20</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	19.00	22.00	27.00	5.00
Contractual FTEs	<u>1.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	20.00	22.00	27.00	5.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.09	4.97%
Positions and Percentage Vacant as of 12/31/18	6.00	27.27%

- IAC received the authority to hire 3 new positions in fiscal 2019, all 3 through the transfer and reclassification of vacant positions from the Department of Public Safety and Correctional Services. One of its new positions was intended to be for a database specialist, though IAC has indicated that it will instead hire a project manager in this position while planning instead to hire a database specialist in fiscal 2020 when IAC's SFA is complete, and its IFDS is in place. Due to the new positions for fiscal 2019 creating an addition to its existing vacancies, IAC had a high vacancy rate of 27.3% at the end of calendar 2018.
- IAC receives 5 new positions in fiscal 2020 to assist in the implementation of the 21st Century School Facilities Act.
- In fiscal 2018, IAC used a contractual full-time equivalent (FTE) to act as its Deputy Director of Field Support, supporting this position with funds from vacant positions elsewhere among its staff. This individual has stayed on in this role in fiscal 2019, likely to be paid again out of savings from vacancies; however, this contractual FTE is not reflected in the budget data. IAC plans on hiring this individual with 1 of its 5 new available positions in fiscal 2020.

Key Observations

- ***New IAC Responsibilities Create Issues in Procurement:*** IAC has many new responsibilities under the 21st Century School Facilities Act, from staffing workgroups to facilitating a SFA, and is receiving funding in fiscal 2019 and 2020 for implementation. IAC has put forward a plan for achieving its objectives under the law. However, procurement of a contract for a SFA and IFDS has lagged. Meanwhile, IAC is budgeted to receive new staff with plans to hire more in the future. The Department of Legislative Services recommends that IAC submit a report to inform the budget committees on how all of its staff are being utilized.

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- ***School Facility Ratings Regressing to Adequate:*** Over the last two years, the share of schools rated as adequate on maintenance surveys has climbed from just over 30% to 51%, while the share rated as good has fallen from about 60% to just over 40%. However, these surveys are being conducted under a new methodology that focuses on LEAs that have had lower results in the past. Meanwhile, the average age of school facilities statewide has aged one year between fiscal 2017 and 2018.

Operating Budget Recommended Actions

1. Adopt narrative requiring the Interagency Commission on School Construction to report on staffing.

Operating Budget Analysis

Program Description

The Interagency Commission on School Construction (IAC) reviews, analyzes, and approves requests for State funds for capital improvement projects for public school buildings from each local education agency (LEA). Previously under the authority of the Board of Public Works as the Interagency Committee on School Construction, the 21st Century School Facilities Act (Chapter 14 of 2018) made IAC an independent commission within the Maryland State Department of Education (MSDE) and expanded its membership; in its expanded form, IAC consists of the State Superintendent of Schools, the Secretary of Planning, the Secretary of General Services, two members of the public appointed by the Governor, two members of the public appointed by the President of the Senate, and two members of the public appointed by the Speaker of the House of Delegates.

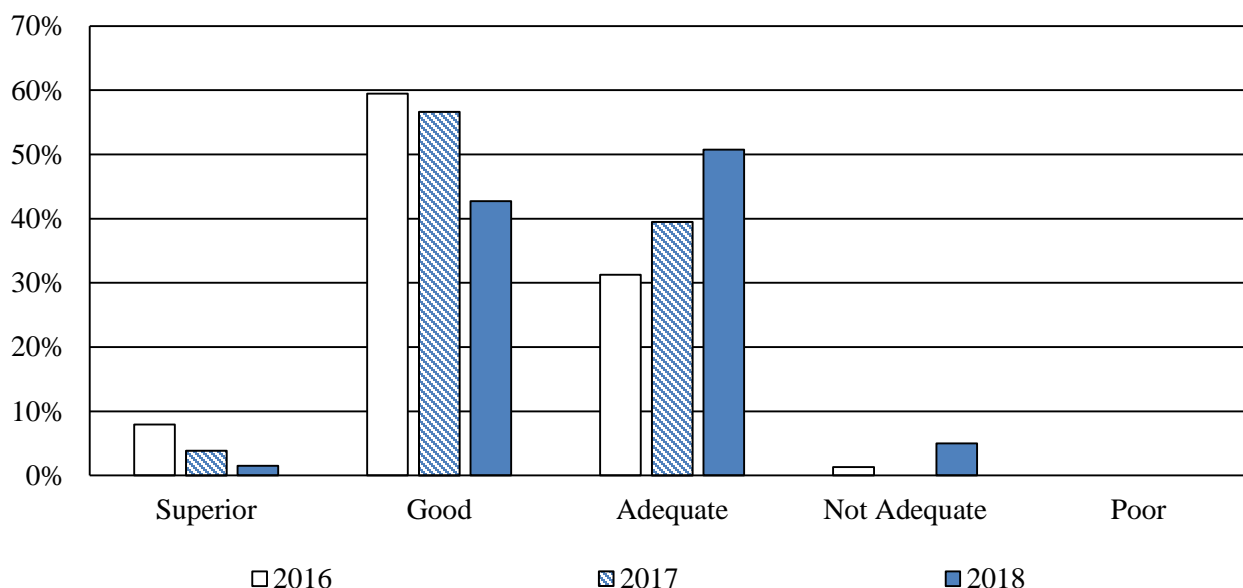
IAC oversees the State's various school construction programs, the most significant being the Public School Construction Capital Improvement Program, and employs staff who administer the programs with assistance from the Department of General Services, the Maryland Department of Planning, and MSDE. IAC maintains the goals of promoting equity in the quality of school facilities throughout the State and of promoting well-maintained, safe physical environments in which to teach and learn. More information on all of the State's school construction capital programs can be found in the Public School Construction Capital Analysis (RA0702).

Performance Analysis: Managing for Results

1. Maintenance Ratings Continue Regressing to Adequate under New Survey Methodology

One of the major goals of IAC is to promote well-maintained, safe physical environments in schools. In support of this goal, IAC conducts maintenance surveys of schools across the State, conducting 199 inspections across the State's 24 school systems in fiscal 2018. The results from the fiscal 2016 to 2018 surveys are shown in **Exhibit 1**.

Exhibit 1
Maintenance Survey Ratings
Fiscal 2016-2018



Source: Interagency Commission on School Construction, *Maintenance of Maryland's Public School Buildings*, Fiscal 2018

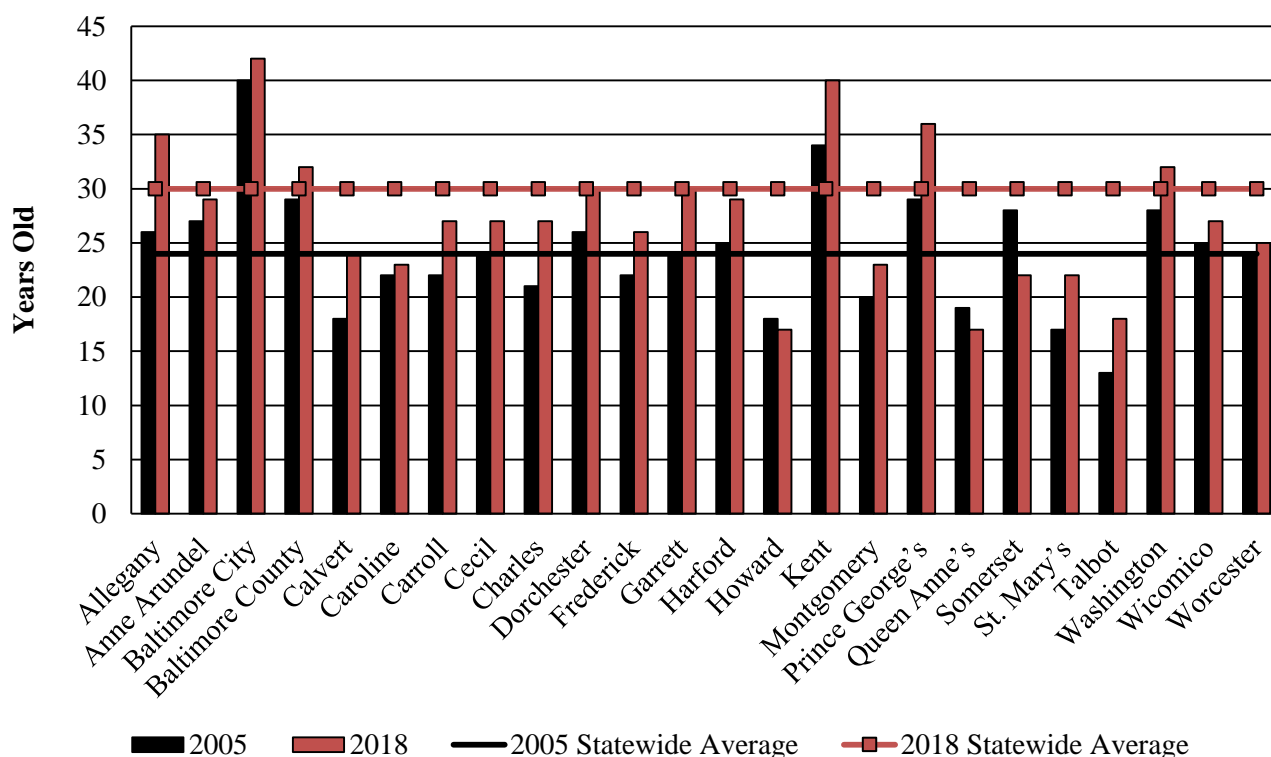
The fiscal 2018 survey marks the second year that IAC is conducting its survey on a differential accountability schedule. That is to say, LEAs that have received lower scores in the past now receive a higher percentage of inspections than higher performing LEAs until they show improvement in their scores, as they are more likely to benefit from robust feedback. For this purpose, IAC 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. Additionally, in order to rate more schools in a more efficient manner, IAC did not survey schools that were scheduled new or newly renovated. IAC also indicates that fewer total schools were surveyed in fiscal 2018 due to turnover of staff in its maintenance program.

Under the second year of the differential accountability schedule, survey results regressed even more toward the middle than in the previous year, with 51% of schools surveyed receiving a score of adequate in fiscal 2018 as compared to 39% in fiscal 2017. Scores of superior dropped from 4% to 2%, and scores of good dropped from 57% to 43%. Scores of not adequate rose to 5% after no schools were rated under this category in fiscal 2017. All schools receiving not adequate scores are in Baltimore City (six schools) or Prince George's County (four schools). No schools were rated as poor over the fiscal 2016 to 2018 time period.

2. School Facilities Age Compared to State Average and Baseline

IAC maintains a goal 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 30 years old. **Exhibit 2** shows the average age of school facilities in Maryland by county in both fiscal 2005 and 2018 as well as the statewide averages for those years. If a county's individual average in fiscal 2018 is further above the statewide average than it was in fiscal 2005, this means that 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 2018, this applies to Allegany and Prince George's counties. Baltimore City has the oldest school facilities in the State with an average age of 42 years. Howard and Queen Anne's counties have the newest school facilities with an average age of 17 years old. IAC has stated that the standard life expectancy of public school facilities is 50 years.

Exhibit 2
Average Age of School Facilities
Fiscal 2005 and 2018



Source: Interagency Committee on School Construction, Fiscal 2005; Department of Budget and Management, Fiscal 2018

The results for the age of school facilities in Maryland's LEAs show that IAC is doing a consistent job at assisting the State in providing newer school facilities as the statewide average of 30 years old in fiscal 2018 is not far from the baseline age of 24 that was set 13 years ago; however, the average statewide age has increased from 29 years old in fiscal 2017. It is also worth noting that this indicator only reflects new construction or replacement projects as systemic renovations are not included by IAC 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.

Fiscal 2019 Actions

Proposed Deficiency

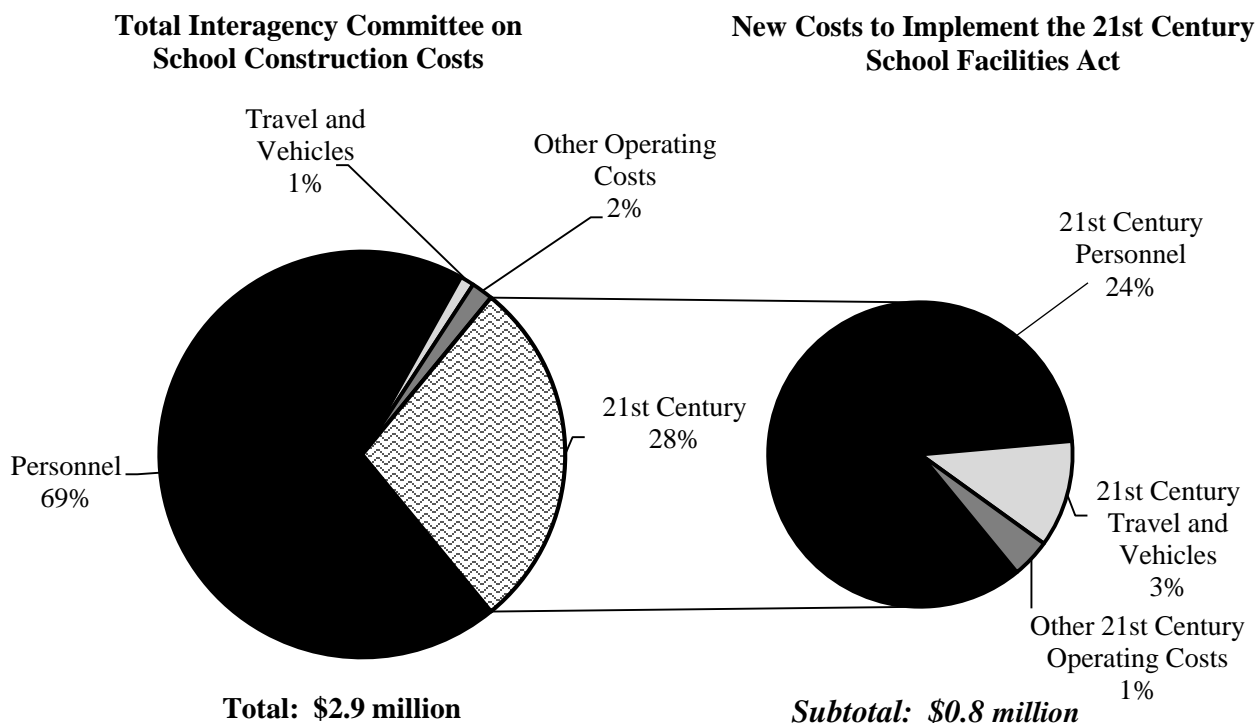
IAC receives a deficiency appropriation of \$223,327 in general funds in fiscal 2019 to provide resources for the implementation of the 21st Century School Facilities Act. This includes \$193,806 for personnel to allow IAC to pay for 3 positions that have been transferred to IAC from the Department of Public Safety and Correctional Services and to reclassify 5 positions already within IAC. Additionally, \$29,521 is available for other operating expenses, such as travel, vehicles, and equipment. IAC also receives \$10,203 in fiscal 2019 to provide \$500 bonuses for its staff and \$1,985 for a 0.5% general salary increase. Altogether, these deficiency appropriations total \$235,515 in general funds.

Fiscal 2020 Allowance

Overview of Agency Spending

The fiscal 2020 allowance for IAC is \$2.9 million in general funds. **Exhibit 3** provides the breakdown of how costs are allocated in fiscal 2020. As shown, \$800,000 of these expenses are new costs related to the implementation of the 21st Century School Facilities Act. This does not imply that the other \$2.1 million allocated for IAC in fiscal 2020 is not to be used for the implementation of the new law but rather that it is not likely that these \$800,000 costs would have existed before the law was enacted. The vast majority of IAC's costs are for personnel expenditures, amounting to 93% of all expenditures when accounting for existing personnel (69%) as well as new personnel or the costs to reclassify existing personnel due to the law (24%). Vehicles and travel are the second biggest cost at 4%, though most of this is for costs associated with IAC's new initiatives to operate more directly with LEAs as described in the Issues section of this analysis. The remainder of IAC's expenditures are for other operating costs, such as equipment, supplies, communications, and various contractual services.

Exhibit 3
Interagency Commission on School Construction Costs
Fiscal 2020
(\$ in Millions)



Source: Governor's Fiscal 2020 Budget Books; Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 4**, the fiscal 2020 allowance for IAC is \$4.3 million lower in general funds than the fiscal 2019 working appropriation after adjusting for deficiencies and the across-the-board general salary increases and bonuses. This decrease is due to the one-time funding of contractual costs for a statewide facilities assessment (SFA) and integrated facilities data system (IFDS) in accordance with the 21st Century School Facilities Act. This decrease is offset by increased operating expenditures, primarily for personnel.

Exhibit 4
Proposed Budget
Interagency Commission on School Construction
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Total</u>
Fiscal 2018 Actual	\$1,949	\$1,949
Fiscal 2019 Working Appropriation	7,207	7,207
Fiscal 2020 Allowance	<u>2,940</u>	<u>2,940</u>
Fiscal 2019-2020 Amount Change	-\$4,267	-\$4,267
Fiscal 2019-2020 Percent Change	-59.2%	-59.2%
Where It Goes:		
Personnel Expenses		
New positions.....		\$367
Employee salaries		148
Across-the-board general salary increase		55
Turnover adjustments.....		41
Other fringe benefit adjustments.....		-9
Across-the-board bonuses		-10
Employee and retiree health insurance		-10
Retirement.....		-20
Other Changes		
Vehicles and travel.....		74
Office equipment		15
Supplies and materials		6
Communications		-1
Contracts		-23
One-time funding for SFA and IFDS contracts		-4,900
Total		-\$4,267

IFDS: integrated facilities data system

SFA: statewide facilities assessment

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

Personnel and Other Operating Expenditures

IAC receives a total increase of approximately \$562,000 for personnel expenditures in fiscal 2020. This includes \$367,000 to hire 5 new positions; \$148,000 for employee salary increases, though this is primarily due to positions being reclassified at higher salaries in fiscal 2020; and \$55,000 due to employees receiving a 3.0% general salary increase in fiscal 2020, larger than the 0.5% general salary increase in 2019. Fewer expected vacancies in fiscal 2020 than 2019 lead to costs from the turnover adjustment rising \$41,000. This is in large part due to the high vacancy numbers IAC has in fiscal 2019 due to receiving positions mid-fiscal year. These increases are offset by lower personnel costs for bonuses, health insurance, retirement costs, and other costs for Social Security and unemployment compensation. Further discussion of IAC's plans for staffing under the 21st Century School Facilities Act can be found in the Issues section of this analysis.

Other operating costs increase across the agency, primarily due to higher costs for the implementation of operations for the 21st Century School Facilities Act as IAC begins working more directly with counties across the State and prepares to set up regional offices. This results in increases of \$74,000 for vehicles and travel, \$15,000 for office equipment, and \$6,000 for materials. Costs for contractual services decrease as IAC becomes consolidated within MSDE, eliminating IAC's budgeted costs for human resources contracts and contracts through the Department of Information Technology. IAC also has decreased costs for communications as they have been budgeted centrally in MSDE.

Issues

1. New Initiatives under the 21st Century School Facilities Act

The 21st Century School Facilities Act made comprehensive changes to the process in approving public school construction in the State that included expanding the role of IAC. Resulting from the work and recommendations of the 21st Century School Facilities Commission, IAC is now required to undertake several tasks. Some of these tasks it has completed, while others are still underway.

Assessing Public School Facilities

The 21st Century School Facilities Act required several measures for IAC to better evaluate the condition of public school facilities in the State. These measures included requiring IAC to adopt educational facility sufficiency standards and a facility condition index for Maryland public schools by July 1, 2018, and to complete a SFA using the sufficiency standards by July 1, 2019. The sufficiency standards were adopted by IAC on May 31, 2018. However, IAC reports that it is behind schedule in contracting with a third-party vendor to conduct its SFA. IAC partially attributes this delay to its new position as an independent commission within MSDE as it must act according to MSDE's procurement process. This process has proven to be lengthier than first anticipated, in part, because MSDE determined that the intergovernmental cooperative agreement that IAC had originally planned on using was not suitable. Proposals were finally received in December 2018, and the selection committee is in the process of deciding on a vendor. However, one vendor is appealing its exclusion, and IAC is concerned that the appeals process will further delay completing its SFA.

When IAC's SFA is complete, it must share the results with the Workgroup on the Assessment and Funding of School Facilities (Funding Workgroup), which is established under the law. Working together and in consultation with local jurisdictions, IAC and the Funding Workgroup must consider (1) how the relative condition of public school facilities based on the standards and index should be prioritized and (2) if appropriate, how the results of the facilities assessment should be used in making funding decisions. The Funding Workgroup must report its findings and recommendations to the Governor and the General Assembly by December 1, 2019. Based on the Funding Workgroup's recommendations, IAC must adopt regulations no earlier than May 1, 2020, that establish the use of facility assessment results in annual school construction funding decisions beginning no earlier than fiscal 2021.

The 21st Century School Facilities Act requires IAC to procure an IFDS in which to input the data from its SFA. IAC intends to meet this requirement by procuring a business process management system that it can then use to streamline the process by which LEAs submit data to and get feedback from IAC. However, IAC is facing similar delays in meeting the requirement to procure this system as it originally intended to pursue an intergovernmental cooperative agreement for that system and now faces the same procurement process as it did for its SFA. IAC is waiting to identify how much funding is available for contracting purposes after it has procured its SFA contract before it moves forward with procuring an IFDS.

Educational Development Specifications

The 21st Century School Facilities Act also created a Workgroup on Educational Development Specifications (EdSpec Workgroup). The EdSpec Workgroup is tasked with specific considerations, including review of and recommendations on square footage allocations, reviewing the State Rated Capacity Process, examining the regional cost-per-square-foot figures, and reviewing costs per student of school construction across local jurisdictions. The EdSpec Workgroup has met three times and continues to work on draft recommendations. It must deliver a report on its findings to the Governor and the General Assembly by July 1, 2019.

IAC Operations under the 21st Century School Facilities Act

IAC believes that in order to implement the recommendations of the 21st Century School Facilities Act, it must provide more support at the LEA level as opposed to operating as a central authority. Therefore, IAC has developed a plan that operates with satellite offices: one in Central Maryland; one on the Eastern Shore; and one in Western Maryland. These satellite offices would contain project managers to assist LEAs in managing their capital improvement programs, maintenance support specialists, and assessors who could assess schools every three to four years, thereby updating IAC's IFDS after the baseline is set by its SFA. IAC plans on rolling out these offices, with the Central Maryland office becoming operational in fiscal 2020 and the Eastern Shore and Western Maryland offices in fiscal 2021. IAC also anticipates staffing needs to maintain its new IFDS and has new roles for its staff under the law, such as staffing workgroups and administering the new revolving loan fund and School Safety Grant program.

In order to fulfill these needs, IAC requested new positions. IAC has received authority to hire 3 positions in fiscal 2019 as well as funding through its fiscal 2019 deficiency appropriation to pay for new positions, reclassify current positions, and pay for related operating costs. However, IAC has indicated that for 1 of these new positions in fiscal 2019 – a database specialist – it has chosen to not hire for that role in fiscal 2019 and will instead use that position to hire 1 project manager; IAC will then hire 1 database specialist in fiscal 2020, by which time its IFDS should be procured. IAC has indicated that it plans to request 14 new positions in the fiscal 2021 budget, many of them for its new satellite offices. **IAC should update the budget committees on how its role in supporting LEAs facilities management and its organizational structure will change over the next three years, including how it will create and implement its satellite offices.**

One of the positions that IAC received in fiscal 2020 is for a Deputy Director of Field Support, whose role includes managing the establishment and functions of the satellite offices and overseeing the SFA process. However, IAC currently has a staffer filling this role as a contractual full-time equivalent (FTE). This individual began in this role in fiscal 2018 and was paid for out of savings from vacancies elsewhere in IAC. In fiscal 2019, no contractual FTE is budgeted in IAC, though IAC has confirmed that this individual is on staff and will be filling one of its new regular positions in fiscal 2020. **IAC should explain to the budget committees what the terms are for the contract for its Deputy Director of Field Support position, if it is paying for this position with savings from vacancies in fiscal 2019, and if those savings are sufficient to support the position.**

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IAC faces some challenges in hiring. First, it operates in a competitive job market for staff who work in facilities planning and management. Second, it is still adjusting to its new role within MSDE, with which it must now work in order to hire staff. **Due to the changing roles for IAC staff under the 21st Century School Facilities Act and the challenges it faces in hiring, the Department of Legislative Services recommends the adoption of committee narrative for IAC to report to the budget committees by October 1, 2019, on its staffing so that the budget committees may stay informed on how IAC’s staff are being utilized.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Staffing for the Interagency Commission on School Construction: The Interagency Commission on School Construction (IAC) has received additional resources through fiscal 2019 deficiency funding and additional funding in the fiscal 2020 budget to hire new staff and reclassify some of its current staff. However, IAC has had difficulty in maintaining a full staff due to a competitive job market and faces administrative challenges in working with the Maryland State Department of Education to procure staff. Meanwhile, the responsibilities and job descriptions of many IAC staffers is changing as IAC adjusts to its new roles under the 21st Century School Facilities Act (Chapter 14 of 2018). Therefore, IAC should provide a report on its staff to the budget committees by October 1, 2019. IAC should include an up-to-date organizational chart in its report as well as the following for each of the positions on its staff:

- the position’s personnel identification number;
- the title and job description for the position;
- the salary and fringe benefits for the position;
- whether or not the position is vacant; and
- if the position has been reclassified since fiscal 2018 and (1) that position’s former title; (2) when it was reclassified; and (3) the salary and fringe benefits that it received before reclassification.

Information Request	Author	Due Date
Staffing report	IAC	October 1, 2019

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2018					
Legislative Appropriation	\$2,070	\$0	\$0	\$0	\$2,070
Deficiency/Withdrawn Appropriation	-30	0	0	0	-30
Cost Containment	0	0	0	0	0
Budget Amendments	1	0	0	0	1
Reversions and Cancellations	-91	0	0	0	-91
Actual Expenditures	\$1,949	\$0	\$0	\$0	\$1,949
Fiscal 2019					
Legislative Appropriation	\$2,056	\$0	\$0	\$0	\$2,056
Budget Amendments	4,916	0	0	0	4,916
Working Appropriation	\$6,971	\$0	\$0	\$0	\$6,971

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

General fund expenditures for the Interagency Committee on School Construction (IAC) totaled \$1.9 million in fiscal 2018, reflecting a decrease of \$121,589.

- Section 19 of the fiscal 2019 Budget Bill decreased the legislative appropriation \$29,710 to reflect health insurance savings due to two additional payroll health deduction holidays.
- A budget amendment increased the appropriation by \$578 to realign expenditures for telecommunications.
- General fund reversions at the close of fiscal 2018 totaled approximately \$91,457. These occurred due to lower than budgeted personnel expenditures due to vacancies.

Fiscal 2019

The fiscal 2019 general fund working appropriation is nearly \$7.0 million, reflecting an increase of approximately \$4.9 million increase over the legislative appropriation. Nearly all of this increase is due to the transfer of \$4.9 million that was reserved by the General Assembly in the fiscal 2018 Budget Bill for the statewide facility assessment required by the 21st Century School Facilities Act (Chapter 14 of 2018). IAC also receives an increase of \$15,687 in salary funding for the fiscal 2019 cost-of-living adjustment.

Appendix 2
Object/Fund Difference Report
Interagency Commission on School Construction

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	19.00	22.00	27.00	5.00	22.7%
02 Contractual	1.00	0.00	0.00	0.00	0.0%
Total Positions	20.00	22.00	27.00	5.00	22.7%
Objects					
01 Salaries and Wages	\$ 1,748,434	\$ 1,960,523	\$ 2,671,194	\$ 710,671	36.2%
02 Technical and Special Fees	63,443	0	0	0	0.0%
03 Communication	5,701	6,405	5,555	-850	-13.3%
04 Travel	7,418	21,500	66,500	45,000	209.3%
07 Motor Vehicles	10,920	11,000	59,920	48,920	444.7%
08 Contractual Services	61,393	4,934,673	11,836	-4,922,837	-99.8%
09 Supplies and Materials	27,824	15,000	23,045	8,045	53.6%
10 Equipment – Replacement	6,767	3,500	3,500	0	0%
11 Equipment – Additional	9,550	11,700	34,200	22,500	192.3%
13 Fixed Charges	7,638	6,920	6,920	0	0%
Total Objects	\$ 1,949,088	\$ 6,971,221	\$ 2,882,670	-\$ 4,088,551	-58.6%
Funds					
01 General Fund	\$ 1,949,088	\$ 6,971,221	\$ 2,882,670	-\$ 4,088,551	-58.6%
Total Funds	\$ 1,949,088	\$ 6,971,221	\$ 2,882,670	-\$ 4,088,551	-58.6%

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.