21st Century School Facilities Commission

Martin G. Knott, Jr., Chair

Agenda
November 14, 2017
10:00 a.m.
House Office Building, Room 120
Annapolis, Maryland

I. Call to Order and Chair's Opening Remarks

II. Overview of Revised Version of Senate Bill 994 of 2017

- Senator James Rosapepe

III. Review Subcommittee Recommendations

IV. Chair's Closing Remarks and Adjournment

Final Commission meeting scheduled for December 14, 2017 at 1:00 p.m.

Maryland School Overcrowding Reduction Act of 2018 (MSORA)

(revised version of SB 994/2017)

SENATOR JIM ROSAPEPE

NOVEMBER, 2017

School overcrowding and deterioration are major problems across the state

- Today, 65,297 students are in 2,839 temporary classrooms*
- $23.3 billion in estimated statewide school construction need FY 2019-23**

* MSDE estimate
** As reported by the LEAs in preparation for the 18Oct2017 BPW

MSORA based on four strategies

1) Knott Commission "four major themes"

1) "**flexibility**: ... allowing an LEA that has the capacity and expertise the flexibility to complete work in house, ... can realize efficiencies
2) "**streamline the review process**: ... school construction review process is cumbersome ... resulting in delays and increased costs, time is money.
3) "**incentives for LEAs** to try new ideas ... such as a higher State share of eligible project costs or procedural flexibility
4) "**clearinghouse for best practices** ... differentiating the review process for LEAs, this will free up resources ... IAC can use to provide technical assistance to those LEAs that need more assistance*

*Excerpt from Interim Report (January 30, 2017)

2) Embrace reality

- $23 billion (State and local) over next 5 years* is unaffordable.
- The State and local governments will not dramatically boost borrowing for schools.
- All 24 jurisdictions have the power to build/repair schools at dramatically lower costs.

*As reported by the LEAs in preparation for the 18Oct2017 BPW

3) Learn from success of others

- Average cost new/renovated public schools in Maryland is $46,000/student*

Cecil County
Gilpin Manor Elementary
522 Students
Cost per Student $46,423

*Public School Construction Program, Department of Legislative Services, 2017

- But, range is from $19,000/student to $87,000/student*

Somerset County
J. M. Tawes Technology & Career Center
400 Students
Cost per Student $87,023

Howard County
Deep Run Elementary
840 Students
Cost per Student $19,767

*Public School Construction Program, Department of Legislative Services, 2017

- And, no new or refurbished charter or contract school in Maryland cost more than $22,000/student**

Prince George's County
College Park Academy
612 Students
Cost per Student $13,400

**MSDE, February, 2016

4) Encourage innovative proposals

- Design/build
- Design/build/operate
- Design/build/operate with sinking fund for future rehab
- Property owner offers of existing under utilized buildings

Goals of MSORA

Reduce overcrowding more quickly by:

- designing, approving, and building schools faster
- reducing cost per student for new schools

Repair old buildings more quickly by:

- designing, approving, and renovating schools faster
- reducing cost per student for school renovation.

End need for portable classrooms by:

- accelerating new school building
- incentivizing 21st century construction methods delivering cost effective expansion of existing schools

Key funding provisions

- No mandated changes for local school systems and governments who don't opt in
- Focus on cost/student, not cost/square foot, to:
  - improve equity
  - improve efficiency
- Incentives to local school systems and governments to:
  - move faster
  - embrace innovation
  - increase competition
  - improve maintenance
  - save money

MSORA Incentives

Innovation: Boosts state cost sharing by 10-20% and decreases state review for innovative financing and construction methods

Competition: Encourages alternative financing and bidding methods, including

- Public-private partnerships (PPPs)
- County authorities
- DCOM (Design/construct/operate/maintain)

Maintenance: Encourages DCOM model which integrates responsibility for maintenance with construction

Speed: Reduces duplicative state review at option of counties

Cost saving for state and locals:

- Increases by 20% the state share for schools whose cost/student are at least 30% below state rolling average through 2020; by 10% thereafter.

Bottom line

- Incentivizes, but doesn't require, local school systems and governments to innovate, reduce overcrowding, improve maintanence, and save money
- Allows those who don't want to innovate to stick with current system
- Can boost school construction by up to 50% at no additional cost, simply by reducing the average cost/student.

Can boost school construction by up to 50% at no additional cost, simply by reducing the average cost/student.

Example 1:

New Building in Anne Arundel: $19,253/student

Monarch Global Academy – capacity of 857 Students – currently 825 are enrolled K-8 due to enrollment limit in the contract with Anne Arundel Schools

430 Brock Bridge Road
Laurel, MD 20724

New building built in one year – addition built in 5 months

72,027 Sq. ft. (including addition)

Example 2:

Converted Commercial Building in Baltimore: $12,589/student

Monarch Academy – 990 Students enrolled k-8

Baltimore Campus Inc.
2525 Kirk Ave
Baltimore, MD 21218

Formerly the Coca Cola Bottling Plant

Circa 1939 Building was in very poor shape

Purchased building & renovated

92,000 Sq. ft.

Example 3:

New Building in Prince George's: $13,400/student

College Park Academy – 612 Students enrolled 6-12

5751 Rivertech Ct
Riverdale Park, MD

New building built in one year

50,000 Sq. ft.

21st Century School Facilities Commission
Funding Subcommittee
November 14, 2017

Funding

Areas of potential consensus

1. 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, with the State and LEAs continually updating it. (Initial estimates for the cost of one-time assessment *only* 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 for data reporting to the extent possible.

2. The State should set a new funding goal and counties must continue to provide their local match. The State's short-term funding goal should be at least the current capital funding level for school construction ($342.5 million in fiscal 2018). Although this is not sufficient to address school construction needs, it is critical to have up-to-date information upon which to base the goal. Once the initial school facility assessment is completed, the results should be used to develop a long-term school construction funding goal.

3. The State-Local Cost Share formula should continue to favor jurisdictions with limited resources to support school construction. After reviewing the cost share formula as revised by the IAC in fall 2017, the formula appears to include all of the appropriate components. However, a common definition of local PAYGO included in the local school construction effort calculation should be developed so that all 24 counties are reporting comparable data. In addition, the cost share formula should be updated every two years (instead of three years) to reflect changes in local conditions.

4. Review and update eligible and ineligible costs in light of changing circumstances *(e.g.*, projectors are ineligible but many classrooms now have projectors permanently mounted

Areas for Further Discussion

1. Should/how should the results of the assessment be incorporated into project funding decisions?

4a. With limited resources, any significant expansion of eligible costs may mean fewer projects receive funding in a given year.

4b. Should any costs be removed from eligibility, perhaps systemic renovations (i.e., capital maintenance)?

to ceilings) within existing State policy that requires eligible costs to have a useful life of at least 15 years. Items that do not have a 15 year useful life should not be eligible for State funding.

5. Eliminate the 2.5% withholding for contingencies from the State allocation (related to Process Subcommittee recommendation to eliminate DGS review of change orders) but require LEAs to maintain a contingency to address unanticipated construction costs above the State allocation.

6. Eliminate the requirement that LEAs submit future planning and construction project requests in the CIP beyond the upcoming fiscal year.

7. The State should provide technical assistance and help facilitate P3s, such as developing template lease agreements between developers and school systems.

8. Preventative maintenance is critical – there is a need to require LEAs to perform required regular maintenance and for the State to collect and monitor performance data through a comprehensive maintenance management system (CMMS) that is integrated with the facility assessment information system.

9. The State should encourage and provide technical support for agreements between and among LEAs and county governments, including regional partnerships, to improve efficiencies.

10. The State should explore the possibility of creating a school construction authority that issues appropriation-backed or revenue bonds with terms longer than 15 years to accelerate State school construction funding. Alternative funding such as a dedicated revenue source or perhaps combining State and local revenue should be considered.

Areas for Further Discussion

10. GO bond debt is typically the least expensive option for the State. Moving to appropriation or revenue backed bonds increases the cost of debt, which may be offset by completing projects sooner and avoiding the inflationary costs.

11. The State should explore creating a facility renewal fund equal to 2% of the value of the facility assets or requiring LEAs to create such a fund.

12. Consider whether an alternative methodology to the current square footage allocations that are used to calculate the State maximum allowable square foot for a project could result in more efficient use of space in school buildings. The current space allocations have not been updated to reflect new space guidelines. If the current methodology is retained, consider regional figures rather than one statewide amount. (PPE Subcommittee also considered this issue.)

13. Explore the feasibility of regional (multi-district) school construction projects, *e.g*. regional Career and Technical Education high schools and develop mechanisms and incentives to provide State funding.

14. The State should encourage the maximum use of energy savings performance contracts to improve energy efficiency in new and renovated schools, perhaps by pooling LEA projects and even local projects to maximize the savings. Over time, the operating savings from lower energy costs provides a new revenue source that may be monetized (perhaps to address item 10.).

Areas for Further Discussion

11. Should the State provide an incentive for LEAs to fund facility renewal?

14. What incentives if any should the State provide for LEAs to improve energy efficiency?

Development and State Approval of Projects

1. Provide local school systems with flexibility to design schools that meet local needs and programmatic priorities.

2. Review design guidelines to ensure that they are aligned with funding allowances for each type of space (*e.g.*, health suites, classrooms, community use areas, etc.).

3. Maintain a role for the State to review and approve State funded projects, but streamline the process to minimize unnecessary delays:

    a. Maintain mandatory Maryland State Department of Education (MSDE) review and IAC approval of educational specifications and schematic designs for major construction projects, but explore the possibility of merging the two review processes to save time.

    b. Eliminate required Department of General Services (DGS) review and IAC approval of design documents, construction documents, and change orders for both major construction and systemic renovation projects.

    c. Allow local school systems to request that DGS review and provide feedback on their design and construction documents on a voluntary basis.

    d. Eliminate 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.

    e. Maintain IAC review and approval of procurement contracts and payments/closeout.

4. Provide incentives for the use of prototype school designs, including expedited State review of projects that use them, but do not mandate use of prototypes.

5. Repeal the requirement that all schools undergoing renovation qualify as emergency management shelters; designation of schools as emergency shelters should be consistent with local emergency management plans and criteria as well as funding availability.

Areas for Further Discussion

1. How often should prototype designs be updated? Construction best practices change constantly, but updating designs too frequently undercuts the rationale for their use.

2a. What variations in safety-related features should be allowed, if any, based on local determinations? Some safety features may not be priorities in every community.

2b. Should the State revisit its square footage standards? Should they be increased or decreased? (Build smaller schools, reduce the square feet per student allocation). Is there an alternative approach to using square footage standards that would encourage appropriately sized facilities?

3a. Should the due date for submission of ed specs be moved from July 10 to a date within September 1 to October 1? And combined with schematic submission (currently due Sept 1)? Or could they be submitted on a rolling basis with maximum review time after which it is considered approved?

3b. Any risk to not having DGS reviews?

4. Should potential community use of school buildings be reflected in prototype designs?

6. Allow local school systems to bundle (for approval purposes) similar systemic renovation projects at different schools (*e.g.*, roofs at three schools) and interrelated systemic projects at a single school (*e.g.*, windows and HVAC at one school).

7. Enable and allow secure electronic document submission of all required documents/data to the IAC.

Procurement

1. Reorient school construction procurement toward obtaining best value rather than lowest price, consistent with State procurement law for State projects.

2. Examine further the effect of prevailing wage requirements on school construction costs.

3. Provide technical assistance and support to local educational agencies on the use of alternative project delivery methods.

4. Request that the Green Building Council develop guidelines for achieving the equivalent of LEED Silver standards without requiring LEED certification of new school buildings. Explore providing incentives for "net zero" buildings.

5. Encourage bulk purchasing, bundling, and intergovernmental purchasing for common items (*e.g.* HVAC, windows).

6. Require site approval only within three years of local planning submittal instead of at the time of new land purchase.

7. Continue to allow LEAs choice in construction materials but provide incentives for energy efficient or other preferred materials.

Areas for Further Discussion

2. Should LEAs be required to solicit side-by-side bids for major new projects in designated areas of the State so that comparable data on the impact of prevailing wage can be analyzed?

2. How will local school systems be held accountable for using green building strategies in the absence of external certification?

5. What effect does bundling have on minority business enterprise (MBE) access to school construction projects? MBEs often do not have the capacity to participate on large-scale projects or intergovernmental purchasing arrangements.

6. Are local governments willing to buy land for school construction projects without reassurance and verification that the site will be approved for that use?

Areas that Overlap with Funding Subcommittee

Areas of potential consensus

1. Examine/update the State Rated Capacity process to address special programs/adjacent schools/etc. utilizing enrollment projects provided by the Maryland Department of Planning.

2. Local school systems with declining enrollment should be encouraged to consolidate buildings and/or find alternative uses for undersubscribed school buildings. However, final authority for redistricting should remain with local governments.

3. The State should continue to provide increased support to local school systems with increasing enrollment.

4. Use the IAC as a central repository for information on the use of pre-fab options

5. Provide incentives for local school systems to prioritize preventive maintenance.

Areas for Further Discussion

3a. To what extent should State funding policies protect local school systems with declining enrollments from dramatic decreases in State support?

3b. What incentives could the State provide to encourage school consolidation?

4. Should the State incorporate a growth factor to school buildings that are built in communities anticipated to experience enrollment growth? Lower levels of occupancy in the short-term may be worth the long-term savings.

5. How can the maintenance program be more responsive to LEAs, specifically in those needing more guidance?

Structure and Process

Areas of potential consensus

1. Final project proposals should be subject to review and approval by the IAC.

Areas for Further Discussion

1. Should final approval of school construction projects be made by IAC or the Board of Public Works?