

D25E03
Interagency Committee on School Construction

Operating Budget Data

(\$ in Thousands)

| | <u>FY 10</u> <u>Actual</u> | <u>FY 11</u> <u>Working</u> | <u>FY 12</u> <u>Allowance</u> | <u>FY 11-12</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|--------------------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Fund | \$7,522 | \$6,097 | \$9,168 | \$3,071 | 50.4% |
| Contingent & Back of Bill Reductions | 0 | 0 | -6,138 | -6,138 | |
| Adjusted General Fund | \$7,522 | \$6,097 | \$3,030 | -\$3,068 | -50.3% |
| Adjusted Grand Total | \$7,522 | \$6,097 | \$3,030 | -\$3,068 | -50.3% |

- The fiscal 2012 allowance before contingent reductions is \$3.1 million higher than the 2011 working appropriation. The change includes the reappearance of \$6.1 million in general funds for the Aging Schools Program. However, contingent language in the budget bill proposes to eliminate these funds and replace them with general obligation bonds, contingent on a provision in the Budget Reconciliation and Financing Act (BFRA) of 2011. Also, payments for the Technology in Maryland Schools wiring program decline by \$3.1 million.

Personnel Data

| | <u>FY 10</u> <u>Actual</u> | <u>FY 11</u> <u>Working</u> | <u>FY 12</u> <u>Allowance</u> | <u>FY 11-12</u> <u>Change</u> |
|------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Regular Positions | 18.00 | 18.00 | 18.00 | 0.00 |
| Contractual FTEs | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Total Personnel | 18.00 | 18.00 | 18.00 | 0.00 |

Vacancy Data: Regular Positions

| | | |
|---|------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 0.62 | 3.46% |
| Positions and Percentage Vacant as of 12/31/10 | 1.00 | 5.56% |

- No changes in the level of regular or contractual personnel are budgeted in the allowance.

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

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Analysis in Brief

Major Trends

Objective for Maintenance Surveys Is Back to 230 for Fiscal 2011 and 2012: The Interagency Committee on School Construction (IAC) established an objective in fiscal 2007 to conduct 230 maintenance surveys of public schools each year. The objective was exceeded in 2007 and 2008, but the number of surveys dropped in 2009 and 2010. **IAC should comment on how maintenance surveys are progressing for fiscal 2011 and when the first report to the budget committees is expected to be submitted.**

Maintenance Ratings Shift Higher in 2010; Roofs under Increased Scrutiny: Fiscal 2010 inspections saw more schools rated as “superior” and “good.” Maintenance ratings may vary from year to year because different schools are inspected each year. Although the data sets vary, IAC found that, since 2007, schools tend to rate higher in categories related to appearance and lower in categories related to roofs and electrical equipment, among others.

Six School Systems Were Below Statewide Average Facility Age in Fiscal 2010, Down from 11 in 2005: The improvement in statewide average facility age reflects the State’s significant investment in school construction in recent years. Furthermore, Maryland has gained two years in the effort to reduce schools’ age. Five years elapsed between 2005 and 2010, but the schools aged only 3 years more.

Recommended Actions

1. Concur with contingent reduction and authorize Aging Schools Program to be funded with general funds or general obligation bonds every year.

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Operating Budget Analysis

Program Description

School construction spending is shared by State and local government. The Interagency Committee on School Construction (IAC) administers the State's Public School Construction Program (PSCP) under the authority of the Board of Public Works (BPW). The State funds its share of school construction primarily by issuing bonds and allocating the funds to local education agencies (LEAs). IAC reviews requests for State funds for eligible projects such as renovations, additions, new schools, and systemic renovations. Local matching funds are required. More information about the PSCP can be found in the capital budget analysis for the program (DE0202A).

IAC also administers the Technology in Maryland Schools (TIMS) program, the Aging Schools Program, and federal programs such as Qualified Zone Academy Bonds (QZABs). More information about the Aging Schools Program and use of QZABs can be found in the capital budget analysis for the program (DE0202B).

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

IAC has the following goals in administering the PSCP:

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

Performance Analysis: Managing for Results

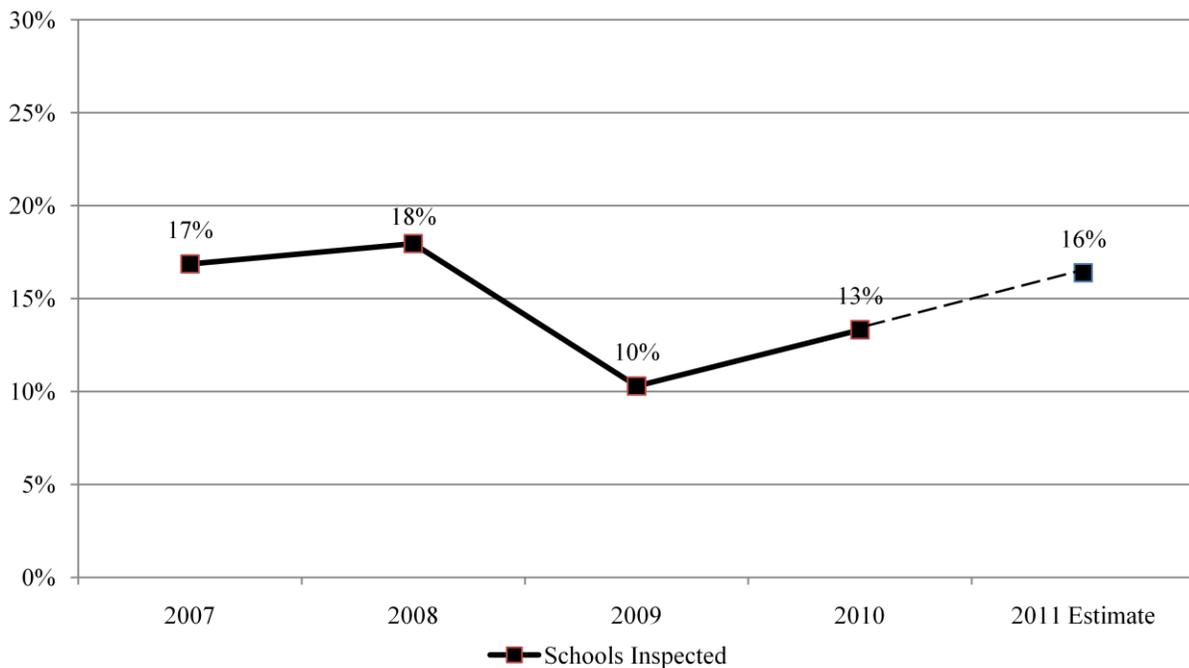
Objective for Maintenance Surveys Is Back to 230 for Fiscal 2011 and 2012

One of IAC's major goals is to promote well-maintained, safe physical environments in schools. To work toward this goal, the PSCP hired two full-time inspectors in fiscal 2007 and established an objective to conduct maintenance surveys in at least 230 schools each year. At this rate, each of Maryland's 1,400 public schools can be inspected once every six years. Prior to fiscal 2007, school inspections were conducted by DGS, which usually completed about 100 maintenance surveys each year. Neither Maryland statute nor the *Code of Regulations* specifies a minimum number of schools to be surveyed each year.

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In fiscal 2007, 233 schools were surveyed. In fiscal 2008, there were 250 surveys; in fiscal 2009, there were 145 surveys; and in fiscal 2010, there were 187 surveys. **Exhibit 1** shows the percent of all schools inspected each year. In fiscal 2007 and 2008, 17 and 18% of schools were inspected, and in 2009 and 2010 it declined to 10 and 13%, respectively. Note that recent survey results by county are in **Appendix 2**. IAC inspects at least one school in each district each year.

Exhibit 1
School Maintenance Surveys
Fiscal 2007-2011



Note: Number of schools in fiscal 2010 is used as an estimate for number of schools in fiscal 2011.

Source: Interagency Committee on School Construction, *Maintenance of Maryland's Public School Buildings*, Fiscal 2010.

IAC reported that survey activity dropped in fiscal 2009 and 2010 because of budget constraints. Specifically, fiscal 2010 budget reductions of \$4,000 were applied to fuel expenditures for the two maintenance inspectors to travel to schools and conduct inspections. The General Assembly was concerned about the agency's reduction of maintenance surveys and added language to the fiscal 2011 budget bill that restricts some of IAC's funds until 230 maintenance surveys are completed and reports are submitted. The language restricts \$100,000 in general funds, \$50,000 of which will be released upon submission of a report to the budget committees certifying the completion of 115 maintenance surveys. The language says the other \$50,000 will be released upon submission of a report certifying completion of 230 maintenance surveys.

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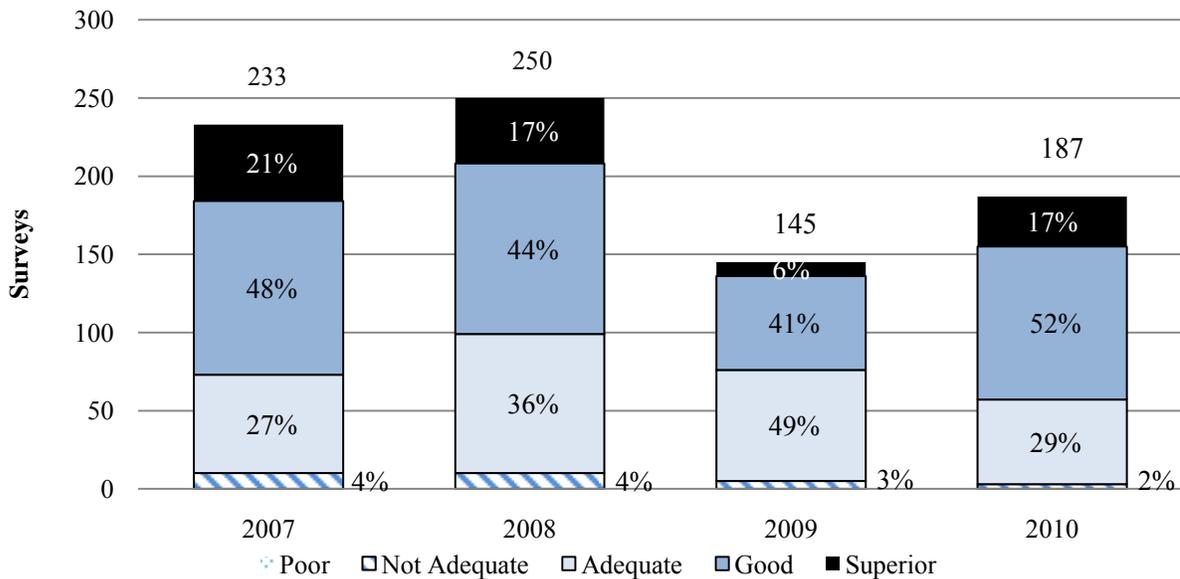
The budget committees have agreed that IAC may submit the second report on May 16, 2011, that will include a list of the schools inspected to date and will provide a schedule for completing the remaining inspections prior to June 15, 2011. A final report will be submitted following the last inspection in mid-June. IAC proposed this alternative report schedule because it is concerned that allowing for a 45-day budget committee review, coupled with a 10-day review requirement by the Governor's Legislative Office, would prevent IAC from meeting payroll and other financial obligations due by the end of the fiscal year (June 30, 2011) prior to release of the final \$50,000.

Managing for Results data shows that the agency intends to conduct 230 surveys in fiscal 2011 and 2012, representing 16% of schools (based on the 2010 number of schools), plus three reinspections. **The IAC should comment on how maintenance surveys are progressing for fiscal 2011 and when the first report to the budget committees is expected to be submitted.**

Maintenance Ratings Shift Higher in 2010; Roofs under Increased Scrutiny

When schools are inspected by IAC, they receive a rating of “superior,” “good,” “adequate,” “not adequate,” or “poor.” **Exhibit 2** shows the proportions of these ratings from inspections in fiscal 2007 through 2010. Note that maintenance ratings may vary from year to year because different schools are inspected each year, except those that receive a “not adequate” rating are inspected again the following year.

Exhibit 2
Maintenance Survey Ratings
Fiscal 2007-2010



Note: No school received a poor rating in any year from fiscal 2007 through 2010.

Source: Interagency Committee on School Construction, *Maintenance of Maryland's Public School Buildings, Fiscal 2010*

The overall distribution of ratings shifted downward from good and superior to adequate in fiscal 2008 and 2009. No schools received a poor rating in any year 2007 through 2010. IAC reported that the shift toward adequate occurred because a larger proportion of urban schools was surveyed, and these facilities tend to be older, are more difficult to maintain, and have more deficiencies than newer schools. The 2010 inspections saw more schools rated as superior and good.

Although each year's data represents a different set of schools, IAC reviewed fiscal 2007 to 2010 data for trends and found that schools tend to rate superior or good in categories related to school appearance, including:

- exterior structural condition;
- interior appearance and sanitation;
- floors and walls;
- playground equipment; and

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- interior doors and hardware.

Schools tend to rate not adequate or poor in:

- electrical distribution and electrical service equipment;
- fire and safety equipment;
- rooftop equipment;
- equipment rooms and generator; and
- ceilings.

The agency reports that the low ratings on roofs are of particular concern because of the critical role that roofs play in protecting the interior of buildings. IAC inspectors have increased their scrutiny of roofs, and LEAs must submit the three most recent roof inspection reports as a threshold condition for State-funded roof replacement projects.

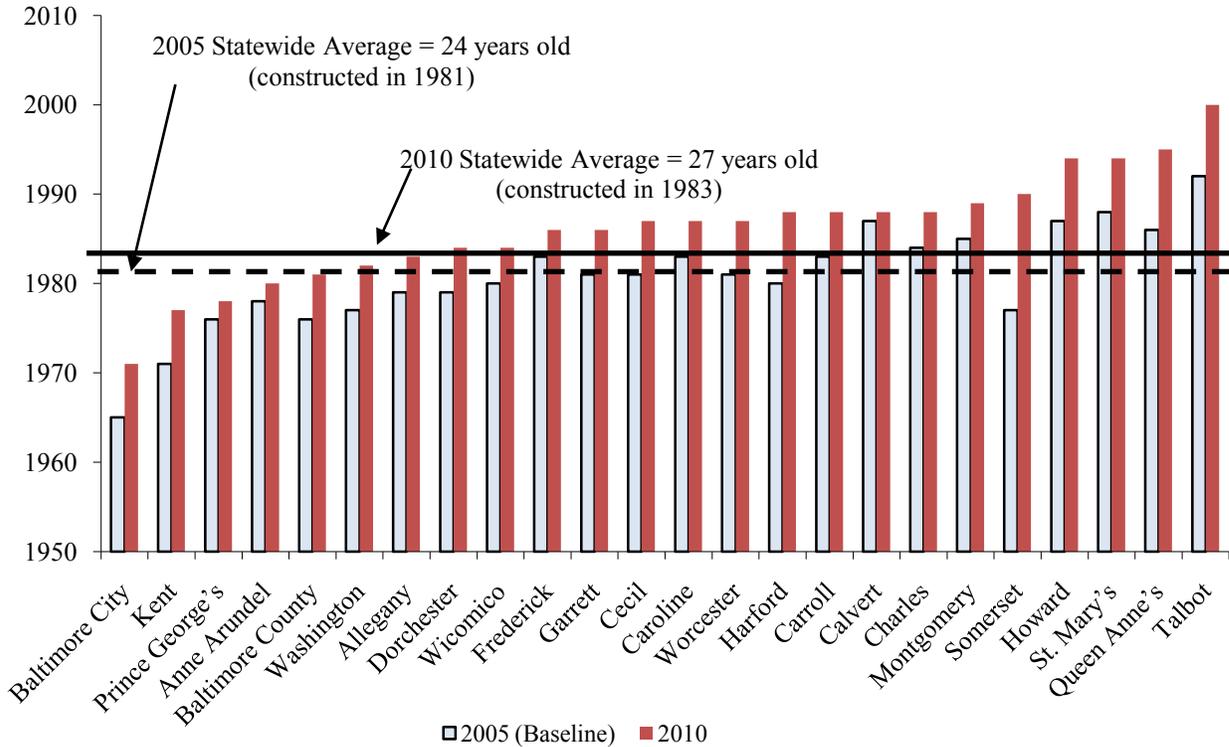
IAC reports that the most pressing need in existing schools appears to be funding for midsize refurbishment and repair projects such as partial replacement of roofs, sidewalk and driveway surfaces; correction of equipment deficiencies; and replacement of playground equipment.

Six School Systems Were Below Statewide Average Facility Age in Fiscal 2010, Down from 11 in 2005

In fiscal 2007, IAC established a goal for the PSCP to promote equity in the quality of school facilities throughout the State. The accompanying objective is to improve, or at least hold constant, each LEA's deviation from the statewide average age of square footage of school facilities. The baseline statewide average, determined in 2005, was 24 years old (constructed in 1981).

Exhibit 3 shows the average year of construction by LEA for fiscal 2005 (the baseline year) and 2010. In 2005, 11 LEAs were below the State average age, and 3 LEAs were at the State average. The 2010 data shows improvement, with 6 LEAs below the State average age and 1 at the State average, reflecting the State's significant investment in school construction in recent years. Furthermore, Maryland has gained two years in the effort to reduce schools' age. Five years elapsed between 2005 and 2010, but the schools aged only three years more. In 2005, the average age was 24 years, and in 2010 the average age was 27.

Exhibit 3
Average Construction Year
Fiscal 2005 and 2010



Source: Interagency Committee on School Construction for fiscal 2005 data; Governor’s Budget Books, Fiscal 2012

The oldest schools are in Baltimore City, with an average construction date of 1971, or 39 years old. Schools in Anne Arundel, Baltimore, Kent, Prince George’s, and Washington counties are also below the 2010 statewide average; and Allegany County is equal to the statewide average. Talbot County has the newest schools, with an average construction date of 2000, or 10 years old. The average age of Talbot County’s schools changed dramatically in fiscal 2009 because the St. Michael’s Elementary/Middle/High School renovation project was completed, and with only nine schools in the system, any new or renovated square footage has a sizeable effect.

Fiscal 2011 Actions

Impact of Cost Containment

Chapter 484 of 2010 (the Budget Reconciliation and Financing Act (BRFA) of 2010) eliminated the \$6.1 million in general funds budgeted for the Aging Schools program and authorized \$6.1 million in general obligation bonds to be used instead.

Proposed Budget

As shown in **Exhibit 4**, fiscal 2012 allowance including contingent and across-the-board reductions is \$3.1 million less than the 2011 working appropriation.

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

| How Much It Grows: | General Fund | Total |
|----------------------------|-------------------------|--------------|
| 2011 Working Appropriation | \$6,097 | \$6,097 |
| 2012 Allowance | <u>9,168</u> | <u>9,168</u> |
| Amount Change | \$3,071 | \$3,071 |
| Percent Change | 50.4% | 50.4% |
| | | |
| Contingent Reductions | -\$6,138 | -\$6,138 |
| Adjusted Change | -\$3,068 | -\$3,068 |
| Adjusted Percent Change | -50.3% | -50.3% |

Where It Goes:

Personnel Expenses

| | |
|---|------|
| Salary adjustments (restoration of furloughs) | \$33 |
| Health insurance, net of contingent and across-the-board reductions | 25 |
| Employees' retirement system, net of contingent and across-the-board reductions | 4 |
| Turnover expectancy | -6 |

Aging Schools

| | |
|--|--------|
| Restoration of Aging Schools grants | 6,109 |
| Contingent reduction of Aging Schools grants | -6,109 |

Other Changes

| | |
|--|--------|
| Technology in Maryland Schools wiring program lease payments | -3,126 |
| Other | 2 |

Total **-\$3,068**

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

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Before contingent reductions, the fiscal 2012 allowance is \$3.1 million higher than the 2011 working appropriation. The most significant element of this increase is the appearance of \$6.1 million in general funds for the Aging Schools Program. However, the BRFA of 2011 proposes to eliminate these general funds and provide general obligation bonds from the capital budget instead, bringing Aging Schools funds in the IAC operating budget to zero after contingent reductions. The BRFA would permanently authorize Aging Schools to be funded from either the operating or capital budget each year. The major decrease in 2012 from the 2011 budget is a \$3.1 million reduction for the TIMS wiring program, which is in its final years of payment. Personnel expenses increase slightly, including \$32,700 for salary adjustments representing restoration of furlough reductions.

Impact of Cost Containment

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, this agency's share of the reduction is \$6,046 for changes in employee health insurance. Reductions contingent upon statutory changes include \$10,007 for retiree prescription drug benefits and \$13,185 in general funds for retirement benefits. To the extent that IAC has positions abolished under the Voluntary Separation Program, additional reductions will be implemented by the Administration.

Recommended Actions

1. Concur with the following language to the general fund appropriation:

, provided that this appropriation shall be reduced by \$6,108,990 contingent upon the enactment of legislation to reduce the required appropriation for the Aging Schools Program.

Explanation: The fiscal 2012 budget bill as introduced includes a \$6,108,990 contingent reduction to eliminate general funds for the Aging Schools Program and instead provide funding with general obligation bonds from the capital budget contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2011. This action concurs with that contingent reduction.

Current and Prior Year Budgets

Current and Prior Year Budgets Interagency Committee 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 2010 | | | | | |
| Legislative Appropriation | \$7,558 | \$0 | \$0 | \$0 | \$7,558 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | | 0 | 0 | 0 | 0 |
| Cost Containment | -36 | 0 | 0 | 0 | -36 |
| Reversions and Cancellations | 0 | 0 | 0 | 0 | 0 |
| Actual Expenditures | \$7,522 | \$0 | \$0 | \$0 | \$7,522 |
| Fiscal 2011 | | | | | |
| Legislative Appropriation | \$6,097 | \$0 | \$0 | \$0 | \$6,097 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| Working Appropriation | \$6,097 | \$0 | \$0 | \$0 | \$6,097 |

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

Fiscal 2010

The fiscal 2010 budget closed at \$7.5 million, just \$35,711 less than the legislative appropriation. General fund cost containment reductions were \$34,447 in employee furloughs and \$1,264 in travel funds. This agency does not have special or federal funds.

**Maintenance Survey Results
Fiscal 2010**

Number of Schools by Category

| <u>County</u> | <u>Superior</u> | <u>Good</u> | <u>Adequate</u> | <u>Not Adequate</u> | <u>Poor</u> | <u>Total</u> |
|------------------|-----------------|-------------|-----------------|---------------------|-------------|--------------|
| Allegany | 2 | 1 | | | | 3 |
| Anne Arundel | 3 | 8 | 8 | | | 19 |
| Baltimore City | 1 | 5 | 10 | 1 | | 17 |
| Baltimore County | 1 | 11 | 5 | | | 17 |
| Calvert | 1 | 3 | 1 | | | 5 |
| Caroline | 1 | | | | | 1 |
| Carroll | 1 | 6 | | | | 7 |
| Cecil | 3 | 2 | | | | 5 |
| Charles | 3 | 2 | 1 | | | 6 |
| Dorchester | | | 1 | | | 1 |
| Frederick | 2 | 9 | | | | 11 |
| Garrett | | 3 | | | | 3 |
| Harford | 3 | 3 | 2 | | | 8 |
| Howard | 2 | 10 | | | | 12 |
| Kent | 1 | | | | | 1 |
| Montgomery | 1 | 15 | 8 | | | 24 |
| Prince George's | | 10 | 12 | 2 | | 24 |
| Queen Anne's | | 1 | 1 | | | 2 |
| St. Mary's | 1 | 1 | 2 | | | 4 |
| Somerset | | | 1 | | | 1 |
| Talbot | 1 | | | | | 1 |
| Washington | 2 | 6 | | | | 8 |
| Wicomico | 3 | | 2 | | | 5 |
| Worcester | | 2 | | | | 2 |
| Total | 32 | 98 | 54 | 3 | 0 | 187 |

Source: Interagency Committee on School Construction, *Maintenance of Maryland's Public School Buildings*, Fiscal 2010

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

| <u>Object/Fund</u> | <u>FY 10 Actual</u> | <u>FY 11 Working Appropriation</u> | <u>FY 12 Allowance</u> | <u>FY 11 - FY 12 Amount Change</u> | <u>Percent Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| Positions | | | | | |
| 01 Regular | 18.00 | 18.00 | 18.00 | 0.00 | 0% |
| Total Positions | 18.00 | 18.00 | 18.00 | 0.00 | 0% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 1,355,018 | \$ 1,379,741 | \$ 1,467,362 | \$ 87,621 | 6.4% |
| 02 Technical and Spec. Fees | 0 | 480 | 480 | 0 | 0% |
| 03 Communication | 9,820 | 7,167 | 6,503 | -664 | -9.3% |
| 04 Travel | 11,669 | 10,729 | 10,729 | 0 | 0% |
| 07 Motor Vehicles | 11,760 | 11,760 | 11,760 | 0 | 0% |
| 08 Contractual Services | 8,804 | 21,686 | 22,753 | 1,067 | 4.9% |
| 09 Supplies and Materials | 16,533 | 8,888 | 8,888 | 0 | 0% |
| 10 Equipment – Replacement | 7,914 | 591 | 591 | 0 | 0% |
| 11 Equipment – Additional | 6,096,709 | 4,652,549 | 1,526,947 | -3,125,602 | -67.2% |
| 12 Grants, Subsidies, and Contributions | 0 | 0 | 6,108,990 | 6,108,990 | N/A |
| 13 Fixed Charges | 3,544 | 3,509 | 2,800 | -709 | -20.2% |
| Total Objects | \$ 7,521,771 | \$ 6,097,100 | \$ 9,167,803 | \$ 3,070,703 | 50.4% |
| Funds | | | | | |
| 01 General Fund | \$ 7,521,771 | \$ 6,097,100 | \$ 9,167,803 | \$ 3,070,703 | 50.4% |
| Total Funds | \$ 7,521,771 | \$ 6,097,100 | \$ 9,167,803 | \$ 3,070,703 | 50.4% |

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Fiscal Summary
Interagency Committee on School Construction

| <u>Program/Unit</u> | <u>FY 10 Actual</u> | <u>FY 11 Wrk Approp</u> | <u>FY 12 Allowance</u> | <u>Change</u> | <u>FY 11 - FY 12 % Change</u> |
|-----------------------------|-------------------------|-----------------------------|----------------------------|---------------------|-----------------------------------|
| 01 General Administration | \$ 1,467,383 | \$ 1,457,222 | \$ 1,544,537 | \$ 87,315 | 6.0% |
| 02 Aging Schools Program | 6,054,388 | 4,639,878 | 7,623,266 | 2,983,388 | 64.3% |
| Total Expenditures | \$ 7,521,771 | \$ 6,097,100 | \$ 9,167,803 | \$ 3,070,703 | 50.4% |
| General Fund | \$ 7,521,771 | \$ 6,097,100 | \$ 9,167,803 | \$ 3,070,703 | 50.4% |
| Total Appropriations | \$ 7,521,771 | \$ 6,097,100 | \$ 9,167,803 | \$ 3,070,703 | 50.4% |

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.