

D25E03
Interagency Committee on School Construction

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$1,879	\$1,986	\$1,934	-\$52	-2.6%
Deficiencies and Reductions	0	68	-8	-76	
Adjusted General Fund	\$1,879	\$2,054	\$1,927	-\$127	-6.2%
Adjusted Grand Total	\$1,879	\$2,054	\$1,927	-\$127	-6.2%

- The adjusted fiscal 2016 working appropriation for the Interagency Committee on School Construction (IAC) reflects a deficiency appropriation of \$68,000. Reduction of agency turnover expectancy is \$38,000, \$22,000 is for the hiring of 2 positions above base to support the IAC Maintenance Inspection Program, and \$8,000 is for 2 reclassifications.
- The adjusted fiscal 2017 allowance for IAC reflects a decrease of approximately \$127,000 below the adjusted fiscal 2016 working appropriation. Decreases in personnel expenses account for \$126,000 of this reduction, with the additional \$1,000 coming from changes in operating costs. Personnel savings from abolished and transferred positions are offset by higher health insurance and retirement costs and a turnover adjustment. In addition, funds for maintenance inspection provided in the 2016 deficiency are not carried into the 2017 allowance.

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

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	19.00	21.00	19.00	-2.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	19.00	21.00	19.00	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.09	5.76%
Positions and Percentage Vacant as of 12/31/15	1.00	4.76%

- The fiscal 2017 allowance abolishes the position of budget director for IAC to promote efficiency, with the intent of the Maryland State Department of Education providing budget services for IAC going forward. The allowance also transfers a currently vacant administrator position to the Department of Information Technology as part of the shared information technology services initiative.

Analysis in Brief

Major Trends

Delivery of Maintenance Survey Data Delayed: It is an IAC goal to promote well-maintained, safe physical environments in schools. To work toward this goal, the Public School Construction Program (PSCP) hired 2 full-time inspectors in fiscal 2007 and established an objective to conduct maintenance surveys in at least 230 schools each year. Between fiscal 2012 and 2014, the percent of schools surveyed rated as “superior” or “good” declined from 79% to 65%. **IAC should comment on why it believes this decline has occurred.** In the fiscal 2016 budget, the General Assembly included language restricting general funds in the IAC budget until the submission of annual maintenance reports for fiscal 2013 and 2014, with a due date of November 1, 2015. This was done after having given multiple extensions before receiving the fiscal 2011 and 2012 reports. Despite this, IAC required extensions for both reports. **The Department of Legislative Services (DLS) recommends that the committees add language restricting general funds in the IAC budget until annual maintenance reports for fiscal 2015 and 2016 are submitted.**

Seven School Systems Below Statewide Average Facility Age in Fiscal 2015, Down from 11 in 2005: 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 local education agencies’ (LEA) deviation from the statewide average age of square footage of school facilities. From fiscal 2005 to 2015, 20 LEAs have improved their standing in terms of deviation from the State average age of 28 years.

Issues

Baltimore City Public School Construction Initiative: The original estimate for the 21st Century Building Plan was that 50 schools could be completed with the \$1.1 billion initiative, with approximately 16 new schools and the remainder renovations. During the course of developing the Memorandum of Understanding (MOU) between IAC, Baltimore City Public Schools (BCPS), Baltimore City, and the Maryland Stadium Authority, that estimate was revised to 35 schools based on more refined project scopes and costs. The current estimate is that 23 to 28 schools will be replaced or renovated. The Maryland Department of Planning (MDP) has reviewed the BCPS Comprehensive Educational Facilities Master Plan for 2016 and found that the system will meet its utilization targets for school year 2015-2016 (80%) and school year 2019-2020 (86%); however, this is without accounting for swing space, *i.e.*, the school buildings that are set aside to house students on a temporary basis during construction of their home school. If swing space is included in the calculation, MDP states that the 80% utilization rate will not be met until school year 2019-2020 and BCPS will not meet the 86% utilization target until school year 2023-2024. In July 2015, BCPS submitted a report to the budget committees stating the budget gap for fiscal 2016 was \$94.9 million. **IAC should comment on any changes that have been made to the 10-year plan and if they address meeting the utilization rate target including swing space and the BCPS budget gap for maintenance, and whether the required annual report due date should be moved to January permanently.**

Baltimore City Public School Construction Management Capacity: In November 2014, IAC staff submitted a report to IAC outlining six deficient areas regarding the ability of BCPS to adequately manage its public school construction projects. The budget committees requested that IAC submit a progress report to monitor the BCPS efforts to address these areas. DLS notes two particular concerns from this progress report regarding maintenance. First, two years after the approval of the MOU, a computerized maintenance management system has still not been procured due to compliance issues during the procurement process. Second, BCPS reports that the position of Executive Director of School Facilities is in the process of being established, but a candidate has not been identified. **IAC should comment on how BCPS can most effectively address the procurement and personnel issues it has encountered in addressing its maintenance needs.**

Alternative School Construction Delivery: During the 2015 legislative interim, there were discussions regarding different approaches to school construction and the costs associated with alternative delivery, such as the Monarch Academy (Monarch) facility in Anne Arundel County, compared to traditional public school construction methods. IAC states that building technology and educational specifications are the two main differences between the Monarch facility and a comparable public elementary school. Some of the reasons why Monarch can make different facility decisions relates to its business model. IAC recommends further study of alternative building technologies. In December 2015, the Senate President and the Speaker of the House announced the formation of a commission to review the State’s school construction policies and make recommendations for more efficient and effective school construction practices into the future. **IAC should comment on the applicability of alternative building methodologies to public school construction and any additional work it is undertaking beyond the scope of its original study.**

Recommended Actions

1. Add budget bill language restricting funding pending submission of maintenance reports.

Updates

Public School Construction Financing Study: During the 2014 legislative session, there was discussion about creative alternatives for school construction funding while maintaining a balanced budget. Governor Martin J. O’Malley signed an executive order in May 2014 requiring IAC, in collaboration with the Department of Budget and Management and DLS, to conduct a study and make recommendations on creative means, financing or otherwise, alternative revenue streams, and the use of lease payments to increase funding for public school construction. The report was due September 2015, but IAC asked for an extension until September 2016.

School Size Study: The adequacy of education funding for public schools study required under the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) examined certain aspects of school size, such as the impact on student achievement, operating costs, and school construction funding programs. The study found that the cost per student is highest at the extremes (*i.e.*, the smallest and

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largest schools) and recommended enrollment limits for new schools based on the points at which schools in Maryland start becoming both less cost efficient and less productive: 700 students in elementary schools; 900 students in middle schools; and 1,700 students in high schools. The study also recommended that the State develop a small schools incentive grant program that would provide financial incentives and support for replacing the State’s largest, low-performing schools or for renovating existing large school buildings.

Relationship Between Facility Maintenance and School Construction: Committee narrative from the 2015 *Joint Chairmen’s Report* directed IAC to evaluate the relationship between identified maintenance deficiencies and school construction needs for each jurisdiction, while recommending best practices for school maintenance that should be implemented in order to avoid the need for future costly school construction projects. This report was to be submitted to the budget committees by October 1, 2015. IAC has since been granted two extensions for this report, the first to allow IAC to include findings from the fiscal 2013 and 2014 maintenance surveys to improve the report’s accuracy, and the second to January 20, 2016, after IAC was delayed in preparing the maintenance reports due to procedural and staffing changes. In its report, IAC identified the following areas of improvement in Maryland’s jurisdictions: leadership, organizational structure, personnel (staffing and training), resources (budget, staffing, data systems, equipment, supplies, etc.), and other (regulatory and compliance costs, quality control, the use of portable classrooms).

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Operating Budget Analysis

Program Description

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

IAC also administers the Nonpublic Schools Program, the Aging Schools Program, and federally assisted programs such as Qualified Zone Academy Bonds (QZAB). More information about the PSCP, the Nonpublic Schools Program, the Aging Schools Program, and the use of QZABs can be found in the capital budget analysis for the program (DE0202).

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

IAC has the following goals in administering the PSCP:

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

Performance Analysis: Managing for Results

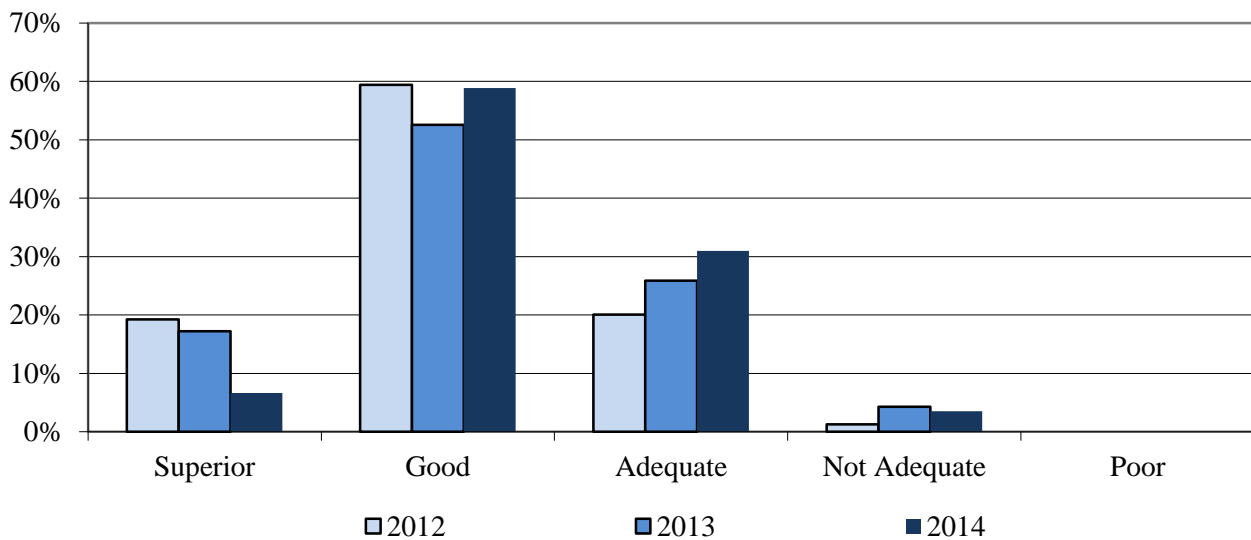
1. Delivery of Maintenance Survey Data Delayed

One of the major goals of IAC is to promote well-maintained, safe physical environments in schools. To work toward this goal, PSCP hired 2 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 would be inspected once every six years. Prior to fiscal 2007, school inspections were conducted by DGS, which completed about 100 maintenance surveys each year.

Neither Maryland statute nor the *Code of Maryland Regulations* specify a minimum number of schools to be surveyed annually. However, statute does require IAC to report the results of the annual maintenance surveys for the prior fiscal year to the Governor and the General Assembly on or before October 1 of each year.

In the fiscal 2016 budget, the General Assembly included language restricting general funds in the IAC budget until the submission of annual maintenance reports for fiscal 2013 and 2014, with a due date of November 1, 2015. This was done after having given multiple extensions before receiving the fiscal 2011 and 2012 reports. Despite this, IAC required extensions for both reports. **Exhibit 1** shows the overall distribution of maintenance ratings from fiscal 2012 to 2014.

Exhibit 1
Maintenance Survey Ratings
Fiscal 2012-2014



Source: Interagency Committee on School Construction, *Maintenance of Maryland's Public School Buildings, Fiscal 2012-2014*

The ratings of surveyed schools showed a decline over the three-year period. Between fiscal 2012 and 2014, there was an increase from 1% to 4% in schools rated “not adequate,” though no schools were rated as “poor” over that period. Over that same period, the percent of surveyed schools rated as “superior” or “good” declined from 79% to 65%. **IAC should comment on why it believes this decline has occurred.**

Given the State’s significant investment in public school construction, transparency concerning how each LEA maintains its physical plant is increasingly important. Though IAC is addressing the backlog of inspection reports with new procedures and new staff and has been given extended time on earlier reports to do so, it is important that IAC comply with the statutory deadline for submitting

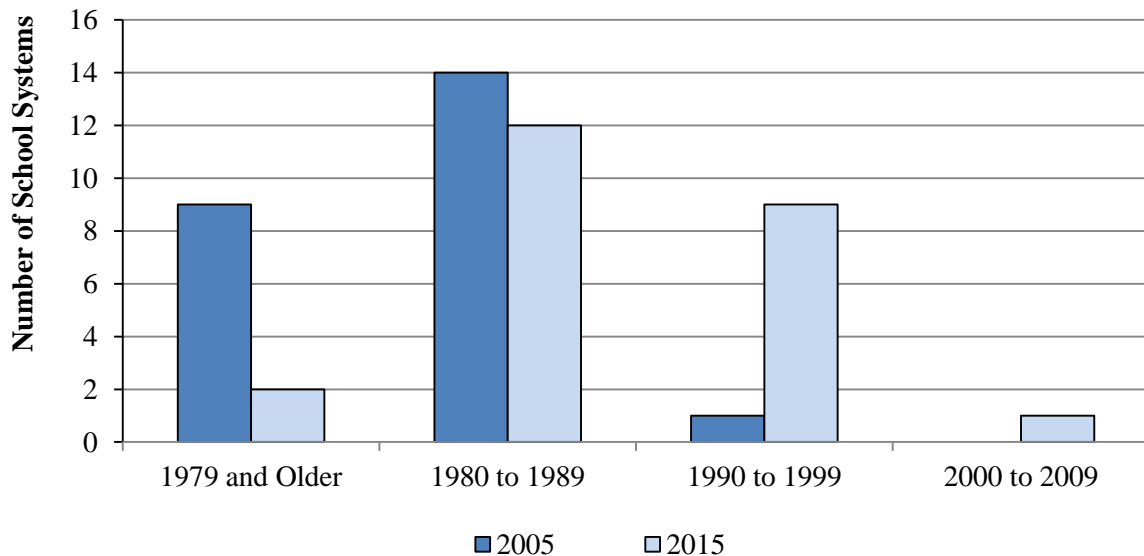
maintenance reports. **DLS recommends that the committees add language restricting general funds in the IAC budget until annual maintenance reports for fiscal 2015 and 2016 are submitted.**

2. Seven School Systems Below Statewide Average Facility Age in Fiscal 2015, 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, deviations of each LEA from the statewide average age of square footage of school facilities. The baseline statewide average, determined in fiscal 2005, was 24 years old (constructed in 1981).

Exhibit 2 shows the number of school systems by four different average age groups (as reflected in year of construction): 1979 and older, 1980 to 1989, 1990 to 1999, and 2000 to 2009. In fiscal 2005, nine school systems were in the oldest group, but in fiscal 2015, the number declined to two. Only one school system was in the 1990 to 1999 group in fiscal 2005, and the number increased to nine in fiscal 2015. The majority of school systems, over 50%, continue to remain in the 1980 to 1989 group. Only one LEA, Wicomico County, moved aged groups since fiscal 2014, having improved the average age of its schools from 1988 to 1991.

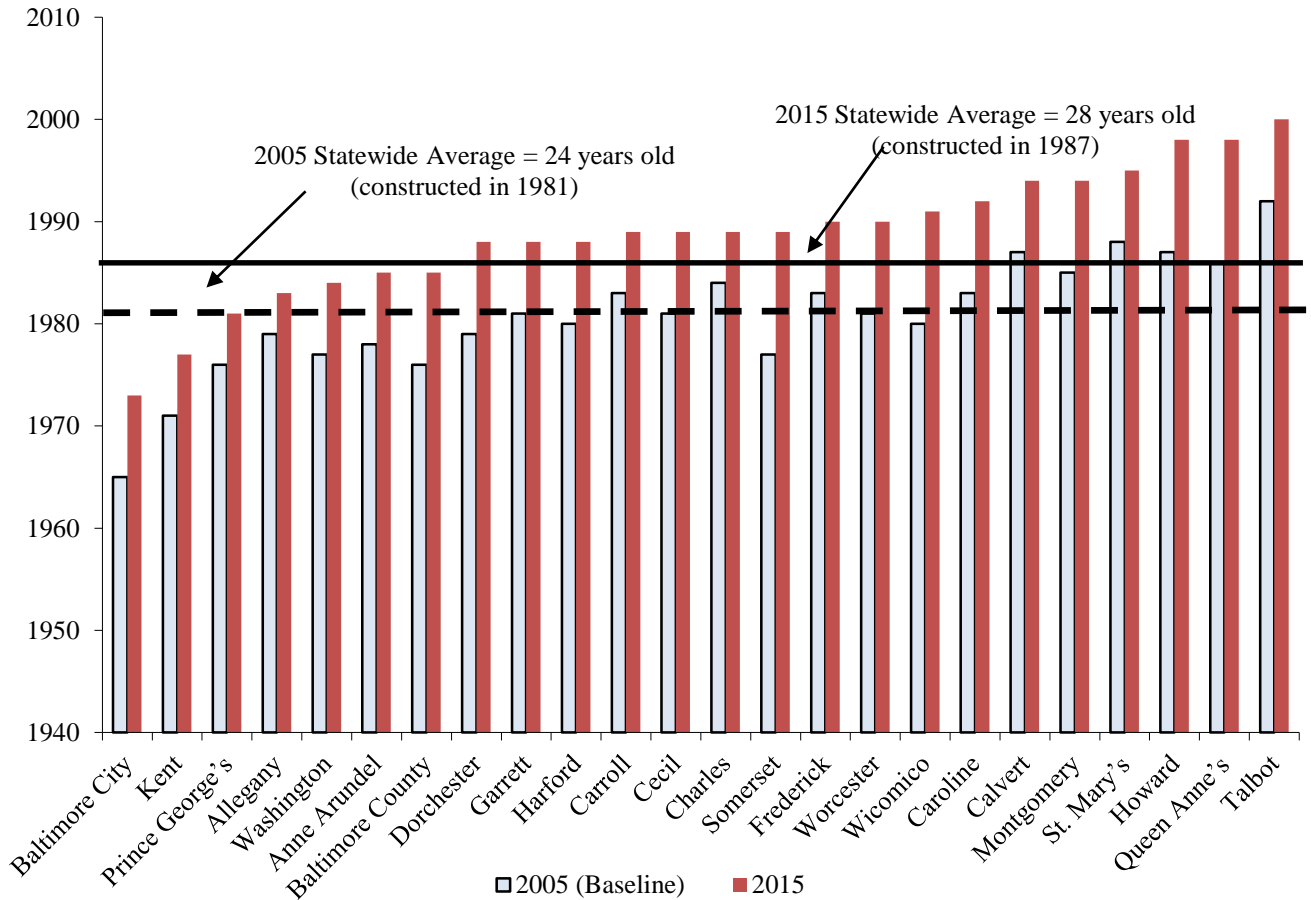
Exhibit 2
Average Age of School Facilities Statewide by Age Group
Fiscal 2005 and 2015



Source: Interagency Committee on School Construction for fiscal 2005 data; Department of Budget and Management for fiscal 2015 data

From fiscal 2005 to 2015, 20 LEAs improved their standing in terms of deviation from the State average age. Kent County had the same deviation. Three LEAs (Allegany, Charles, and Prince George’s counties) have higher deviations from the State average age than in fiscal 2005. **Exhibit 3** shows the average year of construction by LEA for fiscal 2005 (the baseline year) and 2015, the most recently completed survey. The oldest schools are in Baltimore City, with an average construction date of 1973, or 42 years old. Schools in Allegany, Anne Arundel, Baltimore, Kent, Prince George’s, and Washington counties are also below the fiscal 2015 statewide average. Talbot County has the newest schools, with an average construction date of 2000, or 15 years old.

Exhibit 3
Average Construction Year
Fiscal 2005 and 2015



Source: Interagency Committee on School Construction for fiscal 2005 data; Department of Budget and Management for fiscal 2015 data

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In considering the statewide age of schools, the State has made progress in making them newer. Although the average age of schools has increased since fiscal 2005, Maryland has gained in the effort to reduce the age. From fiscal 2005 to 2015, 10 years elapsed, but the schools aged only 4 years more on average. In fiscal 2005, the average age was 24 years, and in fiscal 2015, the average age was 28 years. Since fiscal 2005, the increase in the number of school systems with average square footage above the statewide average indicates an overall improvement in the condition of schools in Maryland and reflects the large amount of State and local funding that has been allocated to public school construction in recent years.

Fiscal 2016 Actions

Proposed Deficiency

The IAC received a deficiency appropriation in fiscal 2016 of \$68,000. The reduction of agency turnover expectancy is \$38,000, \$22,000 is for the hiring of 2 positions above base to support the Maintenance Inspection Program, and \$8,000 is for 2 reclassifications.

Proposed Budget

As seen in **Exhibit 4**, the fiscal 2017 allowance, once adjusted for the across-the-board reduction for employee health insurance, reflects a \$127,000 decrease from the fiscal 2016 working appropriation.

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

How Much It Grows:	General Fund	Total
Fiscal 2015 Actual	\$1,879	\$1,879
Fiscal 2016 Working Appropriation	2,054	2,054
Fiscal 2017 Allowance	<u>1,927</u>	<u>1,927</u>
Fiscal 2016-2017 Amount Change	-\$127	-\$127
Fiscal 2016-2017 Percent Change	-6.2%	-6.2%

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Where It Goes:

Personnel Expenses

Abolished/transferred positions	-\$191
Employee and retiree health insurance	30
Retirement.....	31
Turnover adjustments	20
Other fringe benefit adjustments.....	6
Maintenance Inspection Program salaries	-22

Other Changes

Statewide rate changes (Department of Information Technology Services, Personnel System, Human Resources Shared Services).....	4
Office equipment	-2
Other	-3

Total **-\$127**

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency’s share of these reductions is \$7,575 in general funds. There is an additional across-the-board reduction to abolish vacant positions statewide, but the amounts have not been allocated by agency.

Abolished and Transferred Personnel

Decreases in personnel expenses account for a reduction of \$126,000. The fiscal 2017 allowance abolishes the position of budget director for IAC to promote efficiency, with the intent of MSDE providing budget services for IAC going forward. The allowance also transfers a currently vacant administrator position to the Department of Information Technology (DoIT) as part of the shared information technology services initiative. This across-the-budget initiative will be discussed in the budget analysis for DoIT.

Maintenance Inspection Program Salaries

Of the deficiency appropriation IAC received for fiscal 2016, \$22,000 is for the hiring of 2 positions above the base to support the Maintenance Inspection Program. The fiscal 2017 allowance does not include an accompanying increase for salaries, leading DLS to believe that IAC salaries will be underfunded in fiscal 2017.

Issues

1. Baltimore City Public School Construction Initiative

Baltimore City Public Schools (BCPS) has the oldest school buildings in the State. A fiscal 2012 assessment of the condition of BCPS facilities by a consultant hired by the Baltimore City Board of School Commissioners estimated a cost of \$2.4 billion to address the educational adequacy, condition, and life-cycle needs of the facilities. In response to this critical need for public school facility improvements in Baltimore City, Chapter 647 of 2013, the Baltimore City Public Schools Construction and Revitalization Act, established a new partnership among the State, Baltimore City, and BCPS to fund up to \$1.1 billion in public school facility improvements through revenue bonds to be issued by the Maryland Stadium Authority (MSA).

The revenue bonds will be backed by \$20 million each from the State, Baltimore City, and BCPS annually until bonds are no longer outstanding. MSA will manage all of the bond proceeds and many of the projects. Based on market projections when Chapter 647 was enacted, \$60 million could support debt service on up to \$1.1 billion in bonds. While the original estimate was \$1.1 billion, with the first set of bonds to be issued in fall 2014, the first bond sale will be in February 2016 for the principal amount of \$320 million, and the latest estimate is that about \$960 million in bonds can be issued. Before any bonds could be issued, the law required the four parties – MSA, IAC, Baltimore City, and BCPS – to enter into a Memorandum of Understanding (MOU).

Updated Scope of Work and Timeline

The original estimate was that 50 schools could be completed with the \$1.1 billion initiative, with approximately 16 new schools and the remainder renovations. During the course of developing the MOU, that estimate was revised to 35 schools based on more refined project scopes and costs. The current estimate is that 23 to 28 schools will be replaced or renovated. The lower estimate, in part, reflects more realistic cost estimates based on feasibility studies, the first of which were completed in spring 2014. These initial feasibility studies were based on educational specifications and project scopes that proved to be cost prohibitive in part due to questionable assumptions. The specific projects that will be included in the initiative are likely to include more elementary and middle schools and fewer high schools, and fewer new schools and more strategic modernizations. Only two renovations are currently on track to break ground in early 2016 under the supervision of MSA. It has taken longer than anticipated to begin construction, with the first schools now expected to open in summer 2017, but the initiative is still scheduled to be completed on time with the last schools opening by summer 2020.

School Utilization, Maintenance, and Closures

As required by the law, in December 2013, the board set a systemwide utilization goal of 86% by fiscal 2020, with an intermediate goal of 80% by fiscal 2016. MDP has reviewed the BCPS Comprehensive Educational Facilities Master Plan for 2016 and found that the system will meet its utilization targets for school year 2015-2016 (80%) and school year 2019-2020 (86%); however, this

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is without accounting for swing space, *i.e.*, the school buildings that are set aside to house students on a temporary basis during construction of their home school. From the perspective of counting only the State-rated capacity of each school, this is valid; yet from the perspective of the real effect of capacity on the operating budget (in expenditures on maintenance, operations, and utilities), this overlooks the huge burden that is associated with the swing space. If swing space is included in the calculation, MDP states that the 80% utilization rate will not be met until school year 2019-2020 and BCPS will not meet the 86% utilization target until school year 2023-2024.

The law also required BCPS to submit a Comprehensive Maintenance Plan (CMP) to IAC for approval before any projects could move forward. Under the MOU, projects cannot begin construction until IAC determines that BCPS has made progress toward the maintenance metrics. In the CMP, BCPS agreed to increase the school maintenance budget from \$14.3 million in fiscal 2014 to \$39.8 million in fiscal 2023, which results in approximately an additional \$3.0 million per year for nine years. While BCPS has appropriated the required funds in fiscal 2015 and 2016, it used fund balance to close an operating budget deficit in fiscal 2015 and faces a structural deficit, so its ability to uphold the commitment is in question. In July 2015, BCPS submitted a report to the budget committees stating the budget gap for fiscal 2016 was \$94.9 million. The school maintenance commitment is in addition to the BCPS share of the school construction initiative's annual costs, which is \$20.0 million in fiscal 2017 and thereafter. (In an effort to assist BCPS with its budget deficit, the State relieved BCPS of a \$20.0 million payment in fiscal 2016.)

Exhibit 5 is a map showing the schools that are currently scheduled for replacement or renovation in years 1 and 2 of the board's 10-year plan as of December 2014, as well as 26 schools that will be closed due to their condition or underenrollment, which are contained in the MOU. In the latest version of the MOU, there were nine programs to be closed by the end of 2015. Amendments to the 10-year plan are made once a year in the fall and require board approval. The board is considering additional changes to the plan that will be approved in January 2016. MSA, BCPS, Baltimore City, and IAC requested an extension to submit the required annual report on the program from October 2015 to January 2016, in order to better reflect the impact of board changes to the plan. **IAC should comment on any changes that have been made to the 10-year plan and if they address meeting the utilization rate target including swing space and the BCPS budget gap for maintenance and whether the annual report date should be moved to January.**

Exhibit 5 Map of Baltimore City Public School Facilities In Year One, Year Two, and Closings



Source: Department of Legislative Services

2. Baltimore City Public School Construction Management Capacity

IAC has expressed concern that BCPS lacks a comprehensive plan for managing improvements to its education facilities, particularly those that do not fall within the realm of the 21st Century Buildings Plan. These concerns are significant considering that in making its recommendations to BPW for how to allocate 75% of the fiscal 2016 PSCP allocation, IAC recommended including \$16.4 million in capital funding for Baltimore City outside of the State’s commitment through the \$1.1 billion initiative.

IAC expectations are that all projects receiving State funding should be:

- well designed;
- procured as quickly as possible;
- monitored for quality, schedule, and safety conditions during construction;
- in good working order when complete; and
- maintained throughout their life.

In November 2014, IAC staff submitted a report to IAC outlining six deficient areas regarding BCPS management of State-funded projects. The budget committees requested that IAC submit a progress report to monitor the efforts of BCPS to address these areas. The following details the six areas and their current status.

Areas of Concern Expressed by IAC and Current Status

Prioritization of Projects in the Capital Plan: In its 2014 report, IAC reported that BCPS lacked the capital prioritization process that is common among school systems in Maryland and nationally. However, in its December 2015 progress report, it reported that the single most significant change in facility administration made by BCPS in the last year is the development of a method of project identification and prioritization that uses data on the condition of facilities, lists and gives weights to the factors that influence priorities, involves extensive discussion among all stakeholders, and is reported in the annual *Capital Improvement Program* (CIP) to support requests for State funding.

Two measures of the success of this new process will be:

- projects that are listed in priority order in the fiscal 2017 CIP but which are not funded by the State due to either fiscal constraints or unresolved minor technical issues will be resubmitted (barring new information) in the same priority order in subsequent CIPs; and

- projects in the CIP will be supported by the Educational Facilities Master Plan and the Comprehensive Maintenance Plan.

Comprehensiveness of Project Scopes: IAC identified in its November 2014 report that BCPS capital projects lack the comprehensiveness necessary to ensure that the project will function as it should on completion and will not be a maintenance burden. According to the IAC fiscal 2015 progress report, IAC has found this problem as persisting as it has reviewed BCPS projects in their design phase.

- **Recommendations**

- In order to prevent equipment and system failures, all facility departments and divisions must be involved in the scoping of projects before the actual design process is initiated.
- BCPS should study the methodologies used by other school systems to ensure that all stakeholders have input into the development of project scopes and that the input is either incorporated into the scope or that reasons are given for excluding it. These processes should be formalized through written procedures and a single individual should be responsible for ensuring that the procedures are followed for every approved project.
- Thorough assessment of all existing conditions that may affect the project must be performed by both BCPS design and construction staff and by the consultants responsible for the project design.

Coordinated Development of Project Design: IAC reports that though BCPS has shown improvement in coordination among affected parties for project scopes, designs, and schedules, it still needs to give all parties that are affected by projects, particularly maintenance personnel, a full opportunity to review design documents. It also has improvements to make in giving their input due weight. However, reasonable changes have been initiated in some areas. The IAC Program Manager has attended predesign meetings and reports a noticeable change, specifically in roof designs.

- **Recommendations**

- Written procedures for project planning must be developed and the accountability for ensuring thorough review of design documents must reside with a single managing individual.
- The new procedure for identifying and prioritizing projects in the capital plan should be expanded so that the maintenance divisions are formally incorporated into the design of all projects, including those in the CIP, other PSCP-funded programs, and the 21st Century Building Program projects.

Sequencing of Project Scopes: Sequencing of projects is an area of particular concern because of the specific methodology that BCPS uses to carry out projects. Rather than undertaking a comprehensive scope of work at a school through renovation, limited renovation, or a coordinated set of systemic renovation projects, BCPS has tended to revisit the same school with different projects over an extended number of years. Unlike in other jurisdictions, these series of projects in BCPS facilities are not sequenced or coordinated by a single building plan; as a result, there has been a record of inefficient and wasteful tear-out and damage to previously installed work.

- **Recommendations**

- BCPS should develop a plan for every building in its portfolio. Such a plan would identify projects and delineate an objective sequencing schedule for the projects.
- Formal procedures should be developed to ensure the complete coordination and communication between the facilities divisions and purchasing to ensure that projects are procured and initiated in a timely way that will support the proper sequencing of operations.
- To the greatest extent possible, projects of different scopes at the same facility should be consolidated into single, coordinated scopes of work.

Contract Administration: Although contract administration appears to have improved for BCPS roofing projects, much more is required so that every project of every type receives full attention from BCPS staff. This requirement applies irrespective of whether the project is managed directly by BCPS or is managed through a consultant. It will be advantageous for BCPS to continue to use outside consultants only if school system staff members assume a very active and continuous presence in the projects.

- **Recommendations**

- BCPS must increase the budget for project management staff within the division of design and construction.

Maintenance: The recurring theme throughout the 2014 IAC report is the need for BCPS to improve maintenance. Maintenance operations are directly impacted by the other five concerns identified by IAC staff. Not only does the overall maintenance of school facilities in Baltimore City fall far below that of other jurisdictions and the expectations of IAC, but the maintenance and operational resources dedicated by BCPS are grossly insufficient. This was a major concern for the General Assembly, particularly in consideration of the passage of Chapter 647 of 2013.

The MOU approved in October 2013 helped make progress in improving maintenance for all existing, new, and renovated facilities operated by BCPS through the creation of a CMP, which includes maintenance performance metrics. The CMP further required BCPS to increase maintenance funding and staffing by \$3.0 million per year beginning in fiscal 2015. For fiscal 2016, the BCPS Chief

Executive Officer and board exceeded the \$3.0 million annual target by increasing the maintenance budget by \$4.8 million above the fiscal 2015 allocation.

Issues

In October 2015, BCPS submitted its annual CMP that expands on and updates its original. DLS notes two particular concerns from this updated CMP.

- Two years after the approval of the MOU, a computerized maintenance management system has still not been procured due to compliance issues during the procurement process.
- BCPS reports that the position of Executive Director of School Facilities is in the process of being established, but a candidate has not been identified.

IAC should comment on how BCPS can most effectively address the procurement and personnel issues it has encountered in addressing its maintenance needs.

3. Alternative School Construction Delivery

During the 2015 legislative interim, there have been discussions regarding different approaches to school construction and the costs associated with alternative delivery compared to traditional public school construction methods. Both IAC and MSA were asked to report on potential cost savings associated with alternative methods that have been used by public contract and charter schools to build to commercial standards at a lower construction cost than traditional public schools. Particular attention was given to facilities belonging to Monarch Academy (Monarch), a nonprofit organization that operates public charter and contract schools in Maryland. Monarch facilities in Anne Arundel County and Baltimore City were visited to determine the differences between traditional public school buildings and public charter and contract school buildings, which do not have to follow all of the same State rules or school system practices if they are not receiving public capital funds.

The IAC report states that building technology and educational specifications are the two main differences between the Monarch facility in Anne Arundel County, which is called the Monarch Global Academy, and a comparable public elementary school. For similar enrollments, the school size for an Anne Arundel County public school would be 94,150 gross square feet, while the Monarch Global Academy is 63,327 gross square feet. The width of hallways, number of small group areas, lack of reading space in the library, and multipurpose use of the gymnasium and cafeteria are some points of difference between the Monarch model and a traditional public school. Some of the reasons why Monarch can make different facility decisions relates to its business model. At the Monarch Global Academy, Monarch operates under a contract with the school system that specifies the educational program and an enrollment cap. This means that, unlike a traditional public school, it has no overcrowding issues to address. Monarch is also responsible for maintenance and capital updates. The IAC report recommends further study of alternative building technologies.

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The MSA report will focus on an analysis of the initial capital costs and the maintenance and long-term operation of two Monarch facilities, the Monarch Global Academy and a renovated charter school in Baltimore City, compared to traditional public school construction projects, which tend to have higher initial capital costs and lower life-cycle and maintenance costs. The MSA report was expected to be completed in December 2015 but has not yet been submitted.

In December 2015, the Senate President and the Speaker of the House announced the formation of a commission to review the State’s school construction policies and make recommendations for more efficient and effective school construction practices into the future. The commission will be comprised of private-sector representatives from the construction services and development industry; local government and educational members; as well as State officials. The commission, which will report back by December 2016, will be charged with:

- reviewing existing educational specifications for school construction projects and determining whether the existing specifications are appropriate for the needs of 21st Century Schools;
- identifying best practices from the construction industry to determine whether there are efficiencies that can be made in the construction of public schools and charter schools;
- identifying a long-term plan for jurisdictions with growing enrollment, as well as maintaining facilities in jurisdictions with flat and declining enrollment;
- identifying areas where innovative financing mechanisms including public-private partnerships, as well as alternatives to traditional general obligation debt can be used for construction and ongoing maintenance;
- determining areas for efficiencies and cost-saving measures for construction and maintenance;
- evaluating the appropriate role for State agencies including MDP, DGS, BPW, as well as the appropriate statutory structure for IAC;
- reviewing the relationship between State agencies and local governments on school construction projects; and
- reviewing the 2004 Kopp Commission findings and progress toward implementation.

IAC should comment on the applicability of alternative building methodologies to public school construction and any additional work it is undertaking beyond the scope of its original study.

Recommended Actions

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

, provided that \$100,000 of this appropriation made for the purpose of General Administration may not be expended until the Interagency Committee on School Construction submits fiscal 2015 and 2016 annual maintenance reports to the budget committees. The reports shall be submitted by October 1, 2016, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: This language restricts \$100,000 in general funds for the Interagency Committee on School Construction (IAC) until the fiscal 2015 and 2016 annual maintenance reports are submitted to the budget committees.

Information Request	Author	Due Date
Fiscal 2015 and 2016 annual maintenance report	IAC	October 1, 2016

Updates

1. Public School Construction Financing Study

During the 2014 legislative session, there was discussion about creative alternatives for school construction funding while maintaining a balanced budget. Governor Martin J. O'Malley signed an executive order in May 2014 requiring IAC, in collaboration with the Department of Budget and Management and DLS, to conduct a study and make recommendations on creative means, financing or otherwise, alternative revenue streams, and the use of lease payments to increase funding for public school construction. The report was due September 2015, but IAC asked for an extension until September 2016, since it has two concurrent studies on paths to energy savings, one including the potential of a grant submitted by the Maryland Energy Administration to the U.S. Department of Energy.

2. School Size Study

The adequacy of education funding for public schools study required under the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) examined certain aspects of school size, such as the impact on student achievement, operating costs, and school construction funding programs. The study found that the cost per student is highest at the extremes (*i.e.*, the smallest and largest schools) and recommended enrollment limits for new schools based on the points at which schools in Maryland start becoming both less cost efficient and less productive: 700 students in elementary schools; 900 students in middle schools; and 1,700 students in high schools.

The study also recommended that the State develop a small schools incentive grant program that would provide financial incentives and support for replacing the State's largest, low-performing schools or for renovating existing large school buildings. Eligibility criteria laid out by the research team offered two benchmarks: (1) schools that have fewer than 70% of the students achieving proficiency or higher on State assessments; and (2) schools that exceed 550 students for elementary schools, 750 students for middle schools, and 1,000 students for high schools. Based on the criteria presented, 9 high schools, 12 middle schools, and 24 elementary schools could qualify for the small school incentive grant with a potential fiscal impact of up to \$2.5 billion.

3. Relationship Between Facility Maintenance and School Construction

Committee Narrative from the 2015 *Joint Chairmen's Report* directed IAC to evaluate the relationship between identified maintenance deficiencies and school construction needs for each jurisdiction, while recommending best practices for school maintenance that should be implemented in order to avoid the need for future costly school construction projects. This report was to be submitted to the budget committees by October 1, 2015. IAC has since been granted two extensions for this report, the first to allow IAC to include findings from the fiscal 2013 and 2014 maintenance surveys to improve the report's accuracy, and the second to January 20, 2016, after IAC was delayed in preparing

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the maintenance reports due to procedural and staffing changes. In its report, IAC identified the following areas of improvement in Maryland’s jurisdictions: leadership, organizational structure, personnel (staffing and training), resources (budget, staffing, data systems, equipment, supplies, *etc.*), and other (regulatory and compliance costs, quality control, the use of portable classrooms).

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 2015					
Legislative Appropriation	\$1,850	\$0	\$0	\$0	\$1,850
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-37	0	0	0	-37
Budget Amendments	66	0	0	0	66
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$1,879	\$0	\$0	\$0	\$1,879
Fiscal 2016					
Legislative Appropriation	\$1,958	\$0	\$0	\$0	\$1,958
Budget Amendments	28	0	0	0	28
Working Appropriation	\$1,986	\$0	\$0	\$0	\$1,986

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

General fund expenditures for IAC totaled \$1.9 million in fiscal 2015, reflecting an increase of approximately \$28,000 when compared to the legislative appropriation.

- Cost containment actions approved in January 2015 by BPW decreased the appropriation by \$37,000.
- Budget amendments provided an increase of \$66,000. In addition to the \$14,000 provided for the cost-of-living adjustment, IAC received \$51,000 to cover accrued leave payout for a departing employee, and salary and fringe costs for a new position. The remaining funding increase was due to realigned funding for telecommunications costs.

Fiscal 2016

The fiscal 2016 general fund working appropriation is nearly \$2 million, reflecting a \$28,000 increase over the legislative appropriation for the 2% State salary adjustment, which restored the funding reduced in Section 20 of the budget bill.

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	19.00	21.00	19.00	-2.00	-9.5%
Total Positions	19.00	21.00	19.00	-2.00	-9.5%
Objects					
01 Salaries and Wages	\$ 1,757,086	\$ 1,893,427	\$ 1,843,187	-\$ 50,240	-2.7%
02 Technical and Spec. Fees	718	0	0	0	0.0%
03 Communication	5,566	6,005	5,643	-362	-6.0%
04 Travel	13,468	10,000	10,000	0	0%
07 Motor Vehicles	9,625	10,000	10,000	0	0%
08 Contractual Services	21,212	25,576	28,096	2,520	9.9%
09 Supplies and Materials	19,771	15,100	14,500	-600	-4.0%
10 Equipment – Replacement	0	3,500	3,500	0	0%
11 Equipment – Additional	46,410	15,900	13,700	-2,200	-13.8%
13 Fixed Charges	4,944	6,302	5,503	-799	-12.7%
Total Objects	\$ 1,878,800	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%
Funds					
01 General Fund	\$ 1,878,800	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%
Total Funds	\$ 1,878,800	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
Interagency Committee on School Construction

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 General Administration	\$ 1,837,540	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%
02 Aging Schools Program	41,260	0	0	0	0%
Total Expenditures	\$ 1,878,800	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%
General Fund	\$ 1,878,800	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%
Total Appropriations	\$ 1,878,800	\$ 1,985,810	\$ 1,934,129	-\$ 51,681	-2.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.