

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 1183 (Senator Ferguson)
 Budget and Taxation

Public School Construction Assessment and Maintenance Reform Act

This bill requires the Interagency Committee on School Construction (IAC) to develop educational facilities sufficiency standards and a facility condition index and then use the standards to conduct and annually update a statewide facilities assessment of public schools. IAC must also develop training and certification standards for facilities maintenance inspectors based on national best practices, and the Board of Public Works (BPW) must adopt regulations to implement the bill. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.2 million in FY 2019, \$1.9 million in FY 2020, and \$458,900 in FY 2021 to conduct the initial facilities assessment and update it regularly thereafter. Out-year costs reflect the updating of the facilities assessment and ongoing personnel and operating costs. IAC and BPW can implement the bill’s other provisions with existing budgeted resources. No effect on revenues.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2,224,500	1,927,100	458,900	458,500	473,200
Net Effect	(\$2,224,500)	(\$1,927,100)	(\$458,900)	(\$458,500)	(\$473,200)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local school systems may need to assist IAC in updating the facility assessment data on a regular basis. However, most of that responsibility will fall to the State facilities assessors, so it is assumed that local school systems can assist them with existing resources. No effect on revenues.

Small Business Effect: None.

Analysis

Bill Summary: By January 1, 2019, IAC must adopt educational facilities sufficiency standards and a Maryland School Facility Condition Index. The standards are defined as a uniform set of criteria and measures for evaluating the physical condition and educational suitability of public elementary and secondary school facilities in the State. The index is defined as a calculation to determine the relative condition of public school facilities by dividing the total repair cost of a facility by its total replacement cost.

By January 1, 2020, IAC must complete an initial statewide facilities assessment using the sufficiency standards. In completing the assessment, IAC must use the index, contract with an independent third-party vendor to conduct the data collection and assessment, use existing data sources to the extent possible, and coordinate with local school systems to identify data elements to be used.

Following the completion of the initial assessment, IAC must develop standards to comprehensively update the facilities assessment so that the data is not more than four years old. IAC must determine a ranking of each public school facility based on the index it develops. Local school systems must then provide updated information annually based on the standards, and IAC must compare the data provided by local school systems with the data in the initial assessment. Annually, following the initial facilities assessment, IAC must determine a ranking of each public school using the index.

Current Law/Background: In 2003, the Task Force to Study Public School Facilities conducted a statewide Facility Assessment Survey of every public school in the State. Chapters 306 and 307 of 2004, which implemented the task force's recommendations, required that the Maryland State Department of Education adopt regulations requiring that a similar assessment be conducted every four years. However, no further assessments have been done since 2003, since no funds were appropriated for that purpose.

Each year, IAC must survey the condition of school buildings identified by the Department of General Services. It must report to the Governor and General Assembly annually on the results of its survey. Due to resource constraints, IAC conducts maintenance inspections of approximately one-third of all school buildings each year, on a rotating basis.

State Fiscal Effect: IAC advises that it can develop the sufficiency standards and index with existing resources. It estimates the cost of a statewide facilities assessment conducted by a third-party to be approximately \$3.5 million, and the cost of developing a comprehensive information technology (IT) system to store and update the data regularly to be \$350,000, with annual maintenance costs of \$25,000. The assessment must be completed by January 2020, and it will take at least one year to complete, so it is assumed that the cost is evenly divided between fiscal 2019 and 2020. It is further assumed that the

IT system is developed in advance of the assessment, so general fund expenditures for IAC increase on a one time basis by \$350,000 in fiscal 2019 for the new system.

IAC also advises that it requires ongoing staff support to maintain and update the facility assessment information on a regular basis so that data remain current within at least four years, as required by the bill. It further advises that it plans to merge its existing maintenance inspection function with the required facility condition program. As IAC already employs two inspectors for the existing program, the Department of Legislative Services concludes that IAC requires four new facility assessors, plus an IT specialist to maintain the new system and work with local school systems that provide data for the system. The IT position and one new assessor must be in place in fiscal 2019 to assist in the development of the new system, but the remaining three new assessors are not needed until fiscal 2021 to conduct follow up inspections after the initial assessment is completed in January 2020.

Therefore, for personnel costs only, general fund expenditures increase by \$124,506 in fiscal 2019 and by \$458,897 in fiscal 2021, which accounts for a 90-day start up delay (for one assessor and the IT specialist) from the bill's July 1, 2018 effective date. This estimate reflects the cost of hiring one facility assessor and one IT specialist in fiscal 2019 and three more assessors in fiscal 2021 to update the facility assessment data on a regular basis and maintain the electronic database for the assessment program. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

The information and assumptions used in calculating the bill's total effect on expenditures are stated below:

- the \$3.5 million cost of the facility assessment is divided equally between fiscal 2019 and 2020;
- the IT system is developed in fiscal 2019 in preparation for the completion of the facility assessment at a cost of \$350,000, with annual maintenance costing \$25,000;
- the IT specialist and one assessor are necessary from the outset of the program in fiscal 2019 to help develop the electronic database and inform the design of the facility assessment;
- the remaining three new assessors are not needed until July 2020 (fiscal 2021), after the initial assessment by a third-party contractor is completed in January 2020; and
- inspectors will be based regionally to minimize travel times and expenses, with annual fuel costs for the inspectors totaling \$10,000.

Exhibit 1 summarizes the bill's total effect on expenditures, including the facility assessment, IT expenses, and personnel.

Exhibit 1
Summary of New Positions and Expenditures

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Positions	2	NA	3
Salaries and Fringe Benefits	\$108,788	\$145,844	\$393,602
Facility Assessment	1,750,000	1,750,000	NA
Database Development and Maintenance	350,000	25,000	25,000
In-state Travel Costs	NA	NA	10,000
Other Operating Expenses	<u>15,718</u>	<u>6,250</u>	<u>30,295</u>
Total State Expenditures	\$2,224,506	\$1,927,094	\$458,897

Source: Department of Legislative Services

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: HB 1495 (Delegate A. Washington) - Appropriations.

Information Source(s): Public School Construction Program; Board of Public Works; Department of Legislative Services

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md/rhh

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