Workgroup on the Assessment and Funding of School Facilities

Delegate Maggie McIntosh, Chair

Wednesday, July 7, 2021
10:00 a.m.
Virtual Meeting

Agenda

I. Call to Order and Opening Remarks

II. Summary of Recent Legislation and Workgroup’s Charge

III. Update on the Process and Progress of the School Facilities Assessment

IV. Discussion of Future Meetings

V. Closing Remarks and Adjournment
Summary of
Built to Learn Act of 2020
(2020 Md. Laws, Chap 20)
21st Century School Facilities Act
and Built to Learn Act - Revisions
(2021 Md. Laws, Chap 698)
Presentation to the Workgroup on the Assessment
and Funding of School Facilities
July 7, 2021
Built To Learn (BTL) Bonds

- Statute allows $2.2 billion in revenue bonds sold by MSA. MSA conservatively estimates that funding available for debt service will be sufficient to support $1.8 billion

<table>
<thead>
<tr>
<th>County</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anne Arundel</td>
<td>12.5%</td>
<td>$225 million</td>
</tr>
<tr>
<td>Baltimore City</td>
<td>21%</td>
<td>$378 million</td>
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<tr>
<td>Baltimore County</td>
<td>21%</td>
<td>$378 million</td>
</tr>
<tr>
<td>Frederick County</td>
<td>5.1%</td>
<td>$91.8 million</td>
</tr>
<tr>
<td>Howard County</td>
<td>6.6%</td>
<td>$118.8 million</td>
</tr>
<tr>
<td>Montgomery County</td>
<td>21%</td>
<td>$378 million</td>
</tr>
<tr>
<td>Other 17 Counties</td>
<td>11.5%</td>
<td>$207 million</td>
</tr>
</tbody>
</table>

- MSA and IAC must enter into “Program” MOU (must be executed before bond sale)
- MOUs between MSA and LEA are required for each project
- Can be used in combination with other programs
- Projects are required to comply with IAC regulations
- MSA administers all projects unless they give permission to the LEA to execute
- Bonds can be issued immediately
- Debt Service cannot exceed $100 million (excluding $25 million for Prince George’s P3)
Project Approval and Prioritization

Econ. Dev. §10-650

- IAC required to approve Built to Learn funding on a rolling basis
- First projects approved should be CIP “B” status projects (Eligible but deferred)
- Cannot reimburse for a facility that has been completed
- Projects that began on or after June 1, 2020 are eligible for reimbursement
- Allocations not used within 10 years can be reallocated (to any County)
- Allocations limited to eligible expenditures
- 50% counties that forward fund get 150% of the GAB
• Annually on January 15, MSA must report to Gov and MGA on status of program
• Before July 1, 2030, MSA must complete a 10-year evaluation on the effectiveness of the program
• Before December 31, 2030, IAC must submit a report on MSA’s Evaluation

Econ. Dev. §10-649
Eligible Costs
Ed. Art. §5-303(a)(4)

• Requires the IAC to adopt regulations that include the following as eligible costs for projects that receive planning approval
  ○ A/E Fees
  ○ Consulting
  ○ Planning Costs
• Requires the IAC to define FF&E eligibility for furniture with a median useful life of at least 15 years
• These requirements are for ALL IAC projects, not just for those funded through new funding sources
State/Local Cost Shares

Ed. Art. §5-303(d)(3)

- Requires that COMAR include actual State and local cost share percentages produced by the formula to be updated every 2 years
- FY 23 and FY 24 State shares cannot be less than FY 22 for any county
A county with a median household income in the bottom quartile and for which the state share is 50% is eligible for an adjustment to the local cost share. Under these circumstances, the local cost share shall be reduced to the same as the adjacent county less than but closest to 50%.

1. At this time, this provision applies only to Garrett County
2. Garrett’s State cost share will increase from 50% to 90% (Allegany’s current cost share).

Alterations to State Cost Share
ED. ART. §5-303(k)
Enrollment Growth and Relocatable Classroom Program (EGRC)

- Reduces EGRC threshold from 300 to 250 relocatable classrooms
- First $40 million allocated per usual
- Funding over $40 million allocated based upon proportional share of enrollment growth above Statewide average
- After FY 2026, mandatory allocation increases from $40 to $80 million

Ed. Art. §5-313
• By July 1, 2024, PG must enter into Public-Private-Partnership (P3) (6 school minimum) that is reviewed by MSA and approved by IAC
• If successful, $25 million/yr is allocated beginning in FY26 to support the P3
• By January 15 annually, IAC and PG must jointly report on P3 Program
• By July 1, 2029, IAC must complete a 5-year evaluation on effectiveness of the agreement
• By December 31, 2029, IAC must report to the General Assembly on the results of the evaluation

Ed. Art. §4-126.1
Assessment and Funding Workgroup
Ed. Art. §5-310

- Reconstitutes and extends the Assessment and Funding Workgroup established by the 21st Century School Facilities Act
- Workgroup must decide if and how the relative condition of schools as determined by the SFA should be used in funding decisions
- The Workgroup’s Final Report is due December 31, 2021
- Assessment data cannot be used in IAC funding decisions before May 1, 2022 for FY 23
Healthy School Facility Fund

- Original program was limited to $30m in FY 20 and 21
- Built to Learn Act adds
  - $30m in FY 22 and $40m in FY 23 and FY 24 ($40m in FY 22 budget)
  - For FY 21 through 24, 50% must go to Baltimore City
  - Expands eligible projects to include pipe insulation, roofs, and severe issues in the school that required the school to be closed
Priority Fund
Ed. Art 5-326

- Creates the Public School Facilities Priority Fund
- Once SFA is completed, results of SFA are used to address facility needs of highest priority schools
  - If SFA not completed, funding goes to HSFF-type projects
- Requires the allocation of $40m per year in FY 25 and 26 and $80m in FY 27 and every year after
- Supplements, not supplants, other programs
Funding Programs
BEFORE AND AFTER BTL

BEFORE BTL
- Capital Improvement Program | CIP
- Enrollment Growth / Relocatable Classrooms | EGRC
- Healthy School Facility Fund | HSFF
- School Safety Grant Program | SSGP
- Aging Schools Program | ASP

AFTER BTL
- Built to Learn Program | BTL
- EGRC - for capital construction projects to meet capacity needs
- Priority Fund | PF - for capital construction projects to meet facility needs
- CIP - capital maintenance projects (systemic renovations) to meet facility needs
- ASP and SSGP funding consolidated into PF beginning in FY 27
Life Cycle Costs
Ed. Art. §5-325

• IAC (or MSA if a vendor is contracted) required to evaluate life cycle costs of public school facilities over a 50 year period
  • An evaluation of cost and efficiency of alternative energy systems including:
    o Geothermal
    o Wind
    o Energy storage
  • An energy consumption and systems replacement analysis of each major piece of equipment in specified systems:
    o Cooling system
    o Heating system
    o Hot water system
    o Lighting system
    o Ventilation system
    o Any other major system that uses energy

• Evaluation must be submitted to the General Assembly on or before October 1, 2023
• By October 1 of 2020, 2021, and 2022, IAC or MSA must provide update on effort to GA
• MSDE, IAC, and MSA are to collaborate with LEAs and community colleges to develop a CTE program or apprenticeship pathways in school building maintenance that leads to an industry recognized certificate or credential
Questions?
Workgroup on the Assessment and Funding of School Facilities
Charge

School Facilities Assessment

- Consider how the relative condition of public school facilities within the educational facilities sufficiency standards and the facility condition index should be prioritized, taking into account local priorities and in consultation with local jurisdictions
- Whether the prioritization should be by category and by local jurisdiction or statewide; and
- Whether the results should be incorporated into school construction funding decisions
  - If yes, determine how the assessment should be incorporated into school construction funding

State and Local Cost-share Formula

- Factors used in the State and local cost-share formula for each county to incorporate changes to the State’s primary and secondary education funding formulas adopted in the Blueprint for Maryland’s Future

Gross Area Baselines (GAB)

- Methods used to establish the GAB and the maximum State construction allocation for each public school construction project approved for State funding

Local Share of School Construction Costs Revolving Loan Fund

- Purpose and implementation of the Fund

Incentive Funding

- Long-term effects of school construction decisions for public school facilities
- Funding or other incentives for local jurisdictions within the school construction process that reduce the cost per student and the total cost of ownership of public school facilities
## Exhibit 1

**State Share of Eligible School Construction Costs**

**Fiscal 2022-2024**

<table>
<thead>
<tr>
<th>County</th>
<th>FY 2022</th>
<th>Proposed FY 2023</th>
<th>Proposed FY 2024</th>
<th>Chapter 698 Hold Harmless</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allegany</td>
<td>89%</td>
<td>90%</td>
<td>90%</td>
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<tr>
<td>Anne Arundel</td>
<td>50%</td>
<td>50%</td>
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<tr>
<td>Baltimore City</td>
<td>96%</td>
<td>91%</td>
<td>87%</td>
<td>96%</td>
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<tr>
<td>Baltimore</td>
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<td>61%</td>
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<tr>
<td>Calvert</td>
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<tr>
<td>Caroline</td>
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<td>Carroll</td>
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<tr>
<td>Cecil</td>
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<tr>
<td>Charles</td>
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<tr>
<td>Dorchester</td>
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<td>93%</td>
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<td>Frederick</td>
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<td>Garrett^2</td>
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<td>Harford</td>
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<td>Prince George’s</td>
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<td>Worcester</td>
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<tr>
<td>MD School for the Blind</td>
<td>93%</td>
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</table>

1. Chapter 698 of 2021 requires that the State cost share of eligible school construction costs for fiscal 2023 and 2024 cannot be less than the State share in fiscal 2022 for any county. Numbers in **bold** show the counties being held harmless under this provision of law.

2. Chapter 20 of 2020 (the Built to Learn Act) requires that an adjustment be made to the local cost share for a county that has a 50% local share of school construction costs and whose median household income is in the bottom quartile in the State. For any eligible county, the local cost share must be reduced to equal the local cost share of the adjacent county whose local share is less than, but closest to, 50%. Garrett County is the only county that qualifies for this adjustment, resulting in a local share of 10% (to match Allegany County) and corresponding State share of 90%.

Source: Interagency Commission on School Construction; Department of Legislative Service
Data collection from the 24 LEAs began November 2020

On-site assessments began December 2020

1,404 active & holding school facilities assessed by June 2021

Received comments on data from all LEAs

90% of LEA comments addressed to date
Purpose

- Uniformly measure statewide the current physical condition and educational sufficiency
- Differentiate the facilities with the highest needs from lower ones
- Observe and record the remaining useful lifespan of every major building system
- Generate a Facility Condition Index (FCI) score for each system and each facility overall
- Record if a building system has exceeded its typical expected lifespan or not
- Measure facilities against the IAC’s Educational Facilities Sufficiency Standards
- Generate baseline data that are accurate, comparable, and updatable
This assessment differs from the typical assessment approach.

Uses remaining useful lifespan to measure condition instead of the cost to repair.

Generates FCI score for each of 17 major building systems.

Aggregates and weights the system FCIs to create the facility-level FCI.
Calculating a Facility Condition Index

**Building-System Level**

\[ \text{FCI 75\%} = \text{Amount Depleted} \]

Lower is Better

**Facility Level**

\[ \text{FCI }\% = \frac{\text{Depleted Value}}{\text{Replacement Value}} \]

\[ \text{Depleted Value} = \text{HVAC (FCI \%) + Roof (FCI \%) + Foundation (FCI \%) + etc.} \]

\[ \text{Replacement Value} = \text{HVAC + Roof + Foundation + etc.} \]
Facility Condition Index | FCI

**HIGHER FCI**
- means less remaining useful life

**LOWER FCI**
- means more remaining useful life | RUL

**LOWER FCI = BETTER RELATIVE CONDITION**
Deriving an Educational Facility Score

Physical Condition
Facility Condition Index (FCI)

Educational Sufficiency
The usability of the space for supporting delivery of education

Combined Facility Score
Complete score
Attributes

- Scientific approach with careful and discrete methodology
- Based upon industry standards (BOMA lifespans) and best practices
- Training and a standardized process for inter-rater reliability
- Transparent — allows for fair comparison of data across schools and LEAs
- Flexible structure to support generating what-if scenarios and studying uses of the data
Process

- Data collected from LEAs
- On-site assessments by BV’s trained experts
- Quality-control process with LEA feedback and input
Questions?

Matthew Munter, PE
Principal, EVP

Bill Champion
Project Manager

Tom Bart
IT Manager
Workgroup on the Assessment and Funding of School Facilities

Delegate Maggie McIntosh, Chair

Wednesday, July 28 at 10:00 a.m.

Wednesday, August 25 at 10:00 a.m.

Wednesday, September 22 at 10:00 a.m.

Wednesday, October 20 at 10:00 a.m.

November TBD

December TBD