

**D25E03**  
**Interagency Committee on School Construction**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$1,747	\$1,865	\$2,078	\$213	11.4%
Deficiencies and Reductions	0	-37	-94	-57	
<b>Adjusted General Fund</b>	<b>\$1,747</b>	<b>\$1,827</b>	<b>\$1,984</b>	<b>\$156</b>	<b>8.6%</b>
<b>Adjusted Grand Total</b>	<b>\$1,747</b>	<b>\$1,827</b>	<b>\$1,984</b>	<b>\$156</b>	<b>8.6%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The adjusted fiscal 2016 allowance for the Interagency Committee on School Construction (IAC) reflects an increase of approximately \$156,000 over the adjusted fiscal 2015 working appropriation. Growth in personnel expenses is slightly offset by a \$42,000 reduction reflecting the end of the capital lease payments for the Technology in Maryland Program, which provided grants to finance the wiring of all public schools for Internet access.
- Cost containment actions reduce the fiscal 2015 working appropriation and fiscal 2016 allowance by \$37,000 and \$94,000, respectively. This includes a 2% across-the-board reduction to agency operating expenses applied in both fiscal years, as well as back of the bill reductions in fiscal 2016 to reduce employee salaries by 2% and to eliminate increments and merit increases.

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

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## ***Personnel Data***

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	<b><u>FY 14 Actual</u></b>	<b><u>FY 15 Working</u></b>	<b><u>FY 16 Allowance</u></b>	<b><u>FY 15-16 Change</u></b>
Regular Positions	18.00	19.00	21.00	2.00
Contractual FTEs	0.00	0.00	0.00	0.00
<b>Total Personnel</b>	<b>18.00</b>	<b>19.00</b>	<b>21.00</b>	<b>2.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.39	2.03%
Positions and Percentage Vacant as of 11/01/14	1.00	5.26%

- IAC receives 2 additional regular positions in the fiscal 2016 allowance for the Public School Construction Program (PSCP). The new assistant program manager position will help lessen the workload of the existing program manager. The PSCP program manager is currently responsible for the oversight and management of three major funding programs and several special initiatives. The other position provides the PSCP with a computer information specialist to address an audit finding from calendar 2013 that identified weaknesses in the agency's electronic accounting system.

## *Analysis in Brief*

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### Major Trends

***Availability of Maintenance Survey Data Continues to Lag:*** One of IAC’s major goals is to promote well-maintained, safe physical environments in schools. To work toward this goal, IAC staff aim to survey a minimum number of schools each year; the number of schools surveyed has ranged from 220 to 232 in recent years. Between fiscal 2010 and 2012, at least 70% of surveyed schools have achieved a rating of “good” or better. Statute requires 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; however, the agency is behind in its submission. Most recently, reports for fiscal 2011 and 2012 were submitted in April 2014. Although IAC has been able to keep up with completing the required physical surveys each year, the backlog of analyzing school maintenance has existed for multiple years. Delays in submitting the required reports have been noted in the annual budget analyses since the 2010 session. Given the State’s significant investment in public school construction, transparency concerning how each local education agency (LEA) maintains its physical plant is increasingly important. **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 2013 and 2014 are submitted.**

***Seven School Systems Below Statewide Average Facility Age in Fiscal 2014, 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 LEA’s deviation from the statewide average age of square footage of school facilities. From fiscal 2005 to 2014, 21 LEAs improved their standing in terms of deviation from the State average age. The oldest schools are in Baltimore City, but schools in Anne Arundel, Washington, Baltimore, Allegany, Prince George’s, and Kent counties are also below the 2014 statewide average of 28 years. Talbot County has the newest schools, with an average construction date of 2000, or 15 years old. It is worth noting that there are potential flaws in the methodology used to determine the age of the square footage of Maryland’s public school facilities. Features in the current methodology cause a lag between the reported age of square footage versus the real-time age of the facilities, particularly those that have been renovated. To the extent that improvements are made that are not captured in the IAC’s database, the State may be overfunding some LEAs at the expense of others. **IAC should comment on the issues and potential solutions regarding the calculation for the age of the square footage of public school facilities.**

### Issues

***Baltimore City School Construction Management Capacity as Evaluated by IAC Staff:*** The 21<sup>st</sup> Century Buildings Plan represents a significant investment in the Baltimore City Public School (BCPS) system. Even with those projects, however, more than 100 schools remain in Baltimore City that are not being replaced or renovated. These remaining schools serve the vast majority of students and teachers. These facilities that will be left untouched by the \$1.1 billion investment are aged and not well maintained. As administrators of the PSCP, IAC not only has a significant role in the oversight

*D25E03 – Interagency Committee on School Construction*

of the 21st Century Buildings Plan, but is also responsible for evaluating the long-term facility administration of the entire school system. To that end, 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. Ongoing concerns have been expressed by IAC that BCPS management of State-funded projects is not at the same level as other Maryland school systems, and a November 2014 report released by IAC staff has identified six specific areas of concern and related recommendations for improvement. **DLS recommends the adoption of committee narrative requesting that IAC provide an update to its November 2014 report informing the budget committees as to the status of any progress made by BCPS in addressing the identified areas of concern.**

### **Recommended Actions**

1. Add language restricting funds until the backlog of maintenance survey reports are submitted.
2. Adopt committee narrative requesting a progress report on concerns regarding management of Baltimore City Public School capital projects.

**D25E03**  
**Interagency Committee on School Construction**

***Operating Budget Analysis***

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**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 Non-Public Schools Program, the Aging Schools Program, and federally assisted programs such as Qualified Zone Academy Bonds (QZAB). More information about the PSCP, Non-Public Schools Program, 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 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**

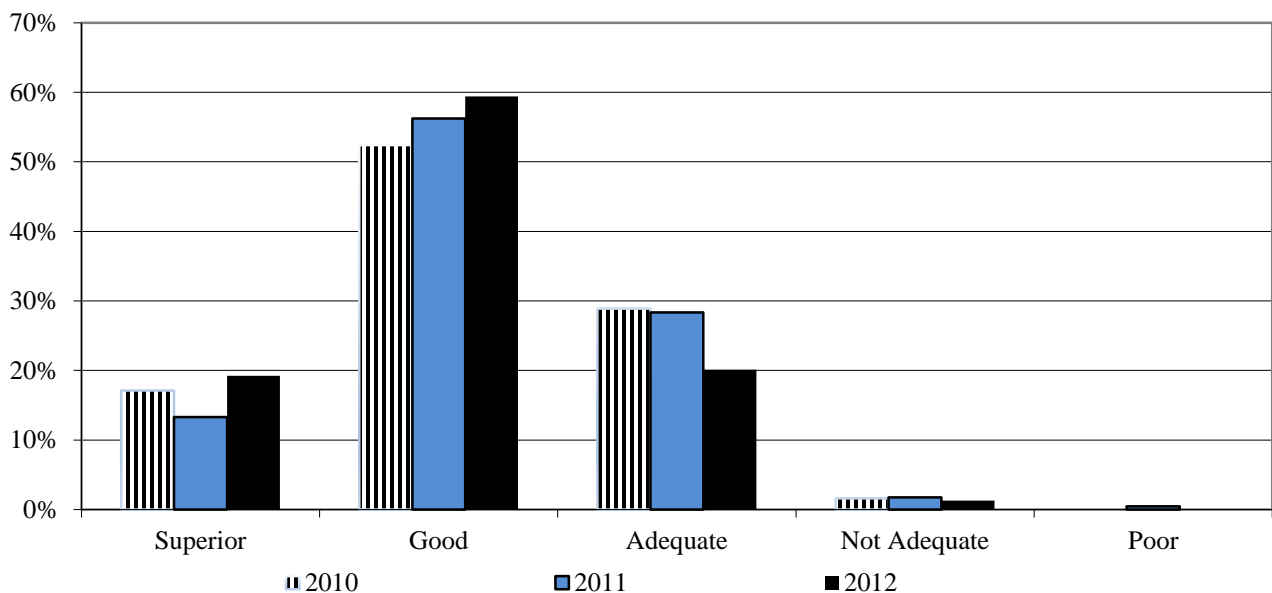
**1. Availability of Maintenance Survey Data Continues to Lag**

One of IAC's major goals is to promote well-maintained, safe physical environments in schools. To work toward this goal, the 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 can 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.

IAC reported that survey activity dropped below 200 schools in fiscal 2009 and 2010 because of budget constraints. The General Assembly was concerned about the agency’s reduction of maintenance surveys and added language to the fiscal 2014 budget bill restricting funds until the reports for fiscal 2011 and 2012 were submitted certifying the completion of 230 maintenance surveys. After multiple extensions, the final reports for both fiscal years were made available April 29, 2014. **Exhibit 1** shows the overall distribution of maintenance ratings from fiscal 2010 to 2012. **Appendix 2** provides the survey results for fiscal 2012 by county.

**Exhibit 1**  
**Maintenance Survey Results**  
**Fiscal 2010-2012**



Source: Interagency Committee on School Construction, *Maintenance of Maryland’s Public School Buildings*, fiscal 2010 to 2012

Overall, the ratings of surveyed schools showed marginal improvement over the three-year period. Although there was one school in fiscal 2011 rated “poor,” less than 5% of surveyed schools since fiscal 2007 have been rated “not adequate” or worse. Between fiscal 2010 and 2012, at least 70% of surveyed schools have achieved a rating of “good” or better. IAC attributes this improvement to surveying more of the newer schools in the statewide inventory and increased oversight from the State. Many good and superior ratings in the fiscal 2012 survey were related to cleanliness, interior

appearance, and the extent to which recent renovations had been completed. In schools with lesser ratings, common deficiencies were found relating to roofing and ceiling damage, fire and other safety hazards, and custodial operations.

According to the agency's Managing for Results (MFR) data, 232 schools were surveyed in fiscal 2013 and an additional 221 in fiscal 2014. The PSCP did receive IAC approval to modestly reduce the number of surveys to 220 for fiscal 2014 through 2019. Final reports for fiscal 2013 and 2014 have yet to be submitted. IAC notes that internal staffing reductions, an increased capital improvement program, and the impact on staff time of the Baltimore City Public Schools Construction and Revitalization Act of 2013 have delayed the reports, though the maintenance surveys proceed according to schedule. The backlog of analyzing school maintenance has existed for multiple years. Delays in submitting the required reports have been noted in the annual budget analyses since the 2010 session.

In fiscal 2012, IAC requested permission to reclassify a vacant position to support inspections to help address this issue. Though the reclassification was approved, maintenance reports are still not current. The agency also received a new maintenance program manager position in fiscal 2015; however, that position has yet to be filled. With the need to implement mid-year cost containment reductions in fiscal 2015, it is likely that the position will remain vacant in order to account for IAC's share of the 2% across-the-board reduction to agency operating expenses.

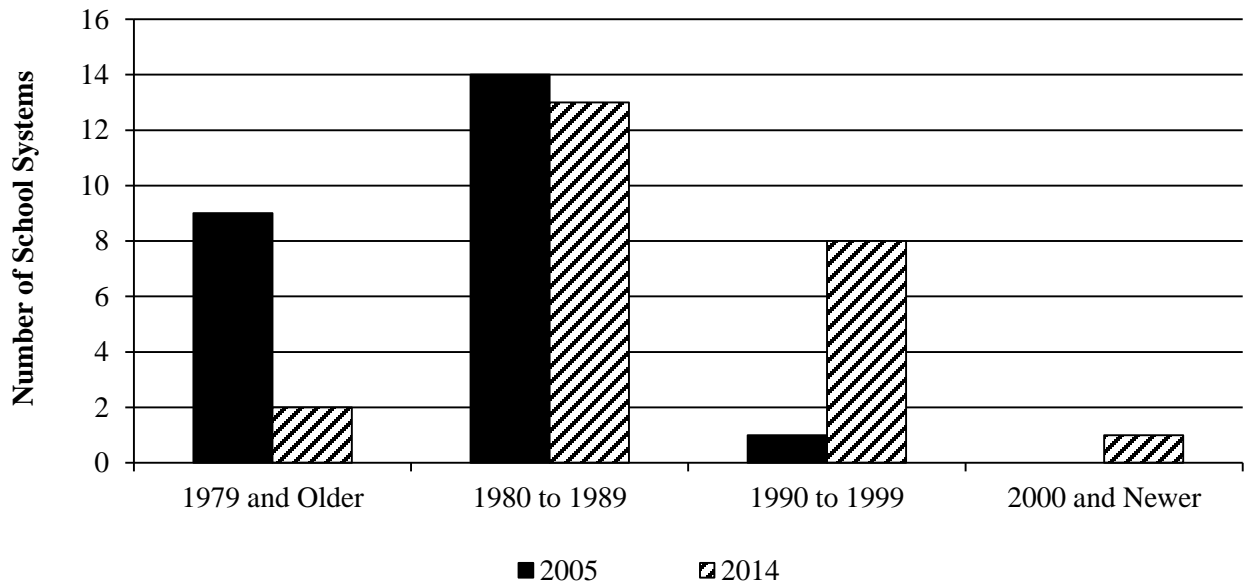
According to IAC's MFR submission, the fiscal 2013 and 2014 reports should be finalized by March and August 2015, respectively. Given the State's significant investment in public school construction, transparency concerning how each LEA maintains its physical plant is increasingly important. **The Department of Legislative Services (DLS) recommends that the committees add language restricting general funds in the IAC budget until annual maintenance reports for fiscal 2013 and 2014 are submitted.**

## **2. Seven School Systems Below Statewide Average Facility Age in Fiscal 2014, 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 2** shows the number of school systems by four different average age groups: 1979 and older, 1980 to 1989, 1990 to 1999, and 2000 or newer. In 2005, nine school systems were in the oldest group, but in 2014 the number declined to two. Only one school system was in the 1990 to 1999 group in 2005, and the number increased to eight in 2014. The majority of school systems, over 50%, continue to remain in the 1980 to 1989 group.

**Exhibit 2**  
**Average Age of School Facilities Statewide by Age Group**  
**Fiscal 2005 and 2014**

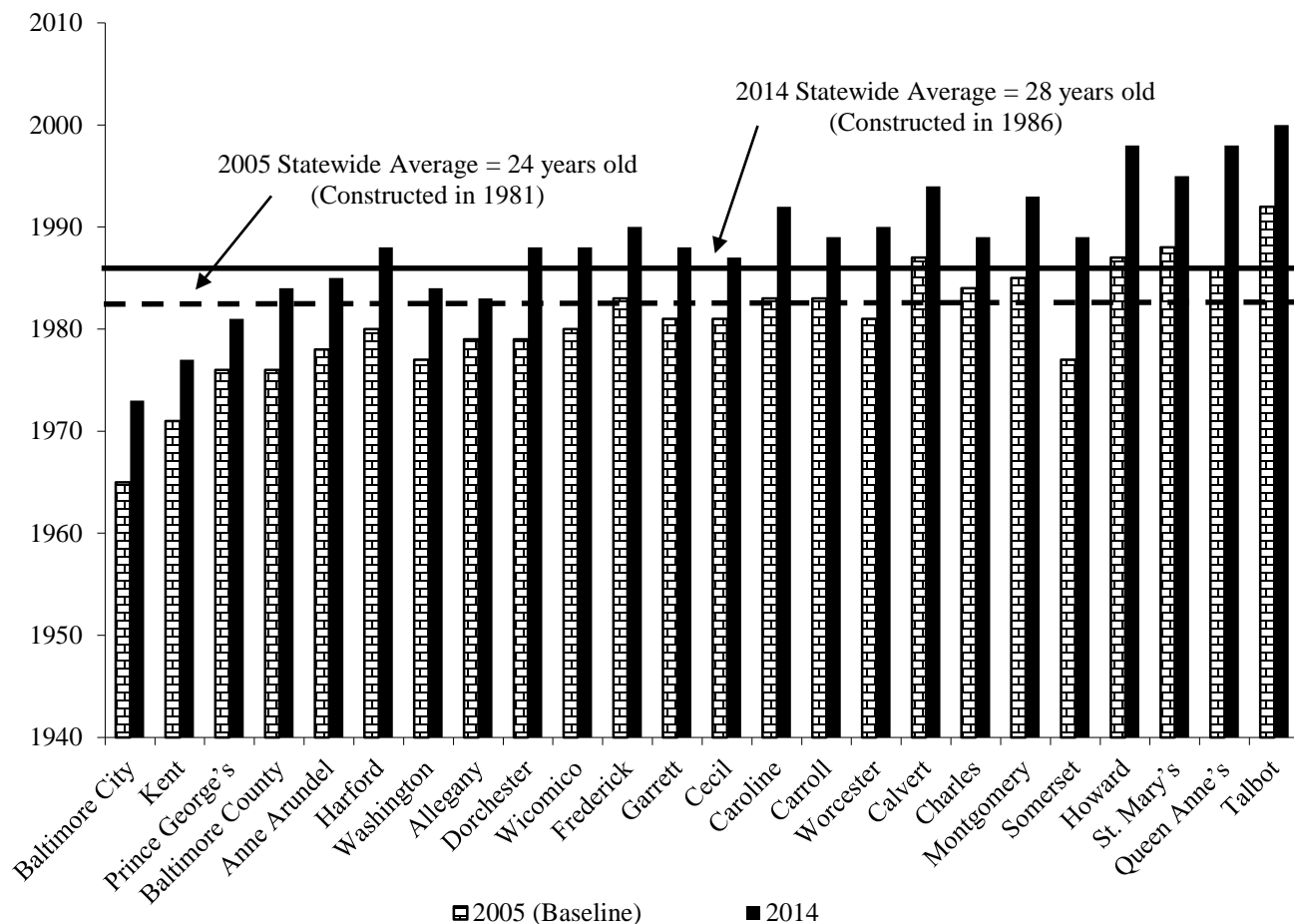


Source: Interagency Committee on School Construction for fiscal 2005 data; Governor’s Budget Books, for fiscal 2014 data

From fiscal 2005 to 2014, 21 LEAs improved their standing in terms of deviation from the State average age. Two LEAs (Charles and Prince George’s counties) had the same deviation. Allegany County was the only jurisdiction to have its deviation increase. **Exhibit 3** shows the average year of construction by LEA for fiscal 2005 (the baseline year) and 2014, the most recently completed survey. The oldest schools are in Baltimore City, with an average construction date of 1973, or 41 years old. Schools in Anne Arundel, Washington, Baltimore, Allegany, Prince George’s, and Kent counties are also below the 2014 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 2014**



Source: Interagency Committee on School Construction, Fiscal 2005; Governor's Budget Books, Fiscal 2014

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 2014, 9 years elapsed, but the schools aged only 4 years more. In fiscal 2005, the average age was 24 years, and in fiscal 2014 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.

### *D25E03 – Interagency Committee on School Construction*

It is worth noting that there are potential flaws in the methodology used to determine the age of the square footage of Maryland's public school facilities. Features in the current methodology cause a lag between the reported age of square footage versus the real-time age of the facilities, particularly those that have been renovated. The primary issue is that IAC relies on a facility inventory database to conduct its analysis. This database is populated by LEAs and is not always current or reflective of projects that do not receive State funds. By not accurately and wholly capturing the age of each jurisdiction's facilities in real time, it can be difficult to assess the true condition of and investment in the State's education facilities. This issue not only has an impact on the MFR data reported by IAC, but also influences the allocations each LEA receives through the Aging Schools Program. The Aging Schools Program is based on the LEA's share of unrenovated pre-1970 square footage. To the extent that improvements are made that are not captured in the IAC's database, the State may be overfunding some LEAs at the expense of others.

One potential solution would be to alter the reporting that is required of LEAs for the facility inventory database, particularly to ensure that the database is current and reflective of all projects, including all locally funded projects. IAC has indicated that this undertaking would be too staff intensive; however, the alternative is to allocate funding for school construction without having an accurate understanding of the true condition of the State's education facilities. **IAC should comment on the issues and potential solutions regarding the calculation for the age of the square footage of public school facilities.**

## **Fiscal 2015 Actions**

### **Cost Containment**

As seen in **Exhibit 4**, actions adopted by BPW in January 2015 further reduce IAC's fiscal 2015 working appropriation by \$37,293. This reduction reflects the agency's share of the 2% across-the-board decrease in agency operations. Although the specific allocation for this reduction has not been identified, the agency has indicated that the anticipated impact will likely be to delay the hiring of the new maintenance program manager position that was added to IAC's personnel complement in fiscal 2015. This will potentially have a significant impact on the agency's ability to eliminate the backlog of maintenance survey reports due to the General Assembly.

**Exhibit 4**  
**Fiscal 2015 Reconciliation**  
**(\$ in Thousands)**

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Legislative Appropriation with Budget Amendments</b>		<b>\$1,865</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,865</b>
<b>Working Appropriation</b>		<b>\$1,865</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,865</b>
January BPW Across the Board	2% across-the-board reduction.	-37	0	0	0	-37
<i>Total Actions Since January 2015</i>		<i>-\$37</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>-\$37</i>
<b>Adjusted Working Appropriation</b>		<b>\$1,827</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,827</b>

BPW: Board of Public Works

Source: Department of Legislative Services

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**Proposed Budget**

As seen in **Exhibit 5**, the fiscal 2016 allowance, once adjusted for contingent and back of the bill reductions, reflects a \$156,000 increase from the fiscal 2015 working appropriation.

**Exhibit 5**  
**Proposed Budget**  
**Interagency Committee on School Construction**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
Fiscal 2014 Actual	\$1,747	\$1,747
Fiscal 2015 Working Appropriation	1,827	1,827
Fiscal 2016 Allowance	<u>1,984</u>	<u>1,984</u>
Fiscal 2015-2016 Amt. Change	\$156	\$156
Fiscal 2015-2016 Percent Change	8.6%	8.6%

**Where It Goes:**

**Personnel Expenses**

New positions.....	\$114
Increments and other compensation.....	39
Back of the bill reduction to reduce employee salaries by 2% .....	-28
Back of the bill reduction to eliminate fiscal 2016 increments and merit increases .....	-28
Employee and retiree health insurance .....	57
Employees' retirement system .....	22
Turnover adjustments.....	11
Other fringe benefit adjustments.....	4

**Other Changes**

Operating expenses associated with the addition of 2 new positions .....	9
End of capital lease payments for the Technology in Maryland Schools program.....	-42
Net impact from 2% across-the-board cost containment reduction .....	-1
Other .....	-1

**Total** **\$156**

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

## **Personnel**

As previously referenced in the MFR discussion, the workload of IAC staff has grown in recent years primarily due to increased emphasis placed on facility maintenance, an increased number of more complex projects in the capital improvement program, and the impact of providing assistance and oversight to the Baltimore City Public Schools (BCPS) 21st Century Buildings Plan. Although this has placed strain on the agency's ability to analyze and report information relevant to the successful construction and administration of the State's education facilities, IAC has received personnel support in the fiscal 2015 and 2016 budgets to alleviate the workload.

The agency received 1 new position in the fiscal 2015 budget to support the analysis of school maintenance. As previously discussed, there has been a backlog in submitting timely maintenance survey reports for quite a while. IAC has made efforts to fill the new maintenance program manager position to help alleviate the backlog; however, there were no qualified applicants in the first advertisement for the position. The agency has subsequently identified a qualified candidate but has not agreed to terms regarding salary. The fiscal 2015 cost containment action that has yet to be implemented could further exacerbate the agency's ability to fill this position.

The fiscal 2016 allowance includes 2 additional regular positions for the PSCP, with a total estimated cost of \$114,000. The two new positions, once filled, will help to provide assistance to the PSCP program manager and to the functioning of the agency's information technology systems. The PSCP program manager is currently responsible for the oversight and management of three major funding programs and several special initiatives with no assistant position that also has a working knowledge of all the program manager's responsibilities. The new position will be trained in many of the activities of the program manager to alleviate the workload. The other position provides the PSCP with a computer information specialist to address an audit finding from calendar 2013 that identified weaknesses in the agency's electronic accounting system. This position will also improve the IAC's ability to provide data and respond to requests for information through regular maintenance of the PSCP databases.

## **Other Changes**

Aside from personnel expenses, IAC receives approximately \$9,000 for increased operating expenses associated with the addition of 2 new positions to the agency's personnel complement. This provides funding for office supplies and equipment and software licensing needed to access the agency's document management system.

Offsetting this increase in operating expenses is the \$42,000 reduction in capital lease payments for the Technology in Maryland Schools program. The State entered into a master lease purchase financing agreement in 2001 to finance the wiring of all public schools for Internet access. The projects were completed during the 2001-2002 school year. The program cost \$50.9 million over the full term of the lease, and fiscal 2015 was the final payment for the program.

## **Cost Containment**

The fiscal 2016 allowance includes three cost containment actions impacting IAC's budget. Funding for employee salaries increases by approximately \$39,000 in the fiscal 2016 allowance; however, two back of the bill actions to reduce employee salaries by 2% and eliminate increments and merit increases offset this growth and result in an estimated net decrease of \$17,000 for employee compensation. In addition, the 2% across-the-board reduction to agency operating expenses that was implemented in fiscal 2015 is continued in the fiscal 2016 allowance. As a result, IAC will need to also identify approximately \$38,000 in fiscal 2016 operating expenses to eliminate.

**IAC should comment on how the agency anticipates implementing the 2% cost containment reduction in fiscal 2016 and the overall impact from all cost containment actions.**

## ***Issues***

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### **1. Baltimore City School Construction Management Capacity as Evaluated by IAC Staff**

BCPS has the oldest school buildings in the State, with an average age of 41 years old. A 2012 assessment of the condition of BCPS school 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 the critical need for public school facility improvements in Baltimore City, Chapter 647 of 2013 (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). This funding is provided separate from the traditional PSCP.

The 10-year plan adopted by the Baltimore City board is referred to as the 21st Century Buildings Plan. The original estimate was that improvements could be made to 50 schools with the \$1.1 billion initiative including approximately 16 new schools and the remainder renovations. That estimate has since been revised downward with a total of 23 to 28 schools to be replaced or renovated. The lower estimate reflects more realistic cost estimates for the projects based on feasibility studies and revised estimates of projected bond proceeds. A more detailed discussion of the 21st Century Buildings Plan will be included in the PSCP capital analysis.

The 21st Century Buildings Plan represents a significant investment in the BCPS system. Even with those projects, however, more than 100 schools remain in Baltimore City that are not being replaced or renovated. These remaining schools serve the vast majority of students and teachers. These facilities that will be left untouched by the \$1.1 billion investment are aged and not well maintained. As administrators of the PSCP, IAC not only has a significant role in the oversight of the 21st Century Buildings Plan, but is also responsible for evaluating the long-term facility administration of the entire school system.

To that end, 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;

### *D25E03 – Interagency Committee on School Construction*

- monitored for quality, schedule, and safety conditions during construction;
- in good working order when complete; and
- maintained throughout their life.

Ongoing concerns have been expressed by IAC that BCPS management of State-funded projects is not at the same level as other Maryland school systems. The most recent iteration of these concerns is a report submitted by IAC staff to the committee in November 2014 outlining six deficient areas. IAC staff notes, in the report, that recent improvements have been made by BCPS due to additional input, guidance, and oversight from IAC and MSA by way of the 21st Century Buildings Plan; however, problems and concerns continue to persist, calling into question the ability of BCPS to implement a thorough, comprehensive, and well-staffed facility management organization in order to protect the State and local investments that have been and are being made in BCPS school facilities.

### **Areas of Concern**

***Prioritization of Projects in the Capital Plan:*** City Schools lacks the capital prioritization process that is common among school systems in Maryland and nationally. In order to create stability, provide assurances to the communities utilizing the facilities, and identify potential synergies/conflicts among projects and maintenance needs, it is essential for a school system to have an accurate, thorough, and nonpolitical methodology for determining the priority of projects. Typically, this involves creating a priority list of projects for building systems, education needs, and overall building needs based on detailed facility assessments and broad discussion of local education objectives.

For City Schools, IAC has not been able to determine a methodology used for establishing priorities. Typically, project requests vary from year to year, both in terms of the actual projects included in the request and the project scope. Prioritization appears to be done on a year-to-year basis rather than with a long-term view of what each facility needs and how those needs compare to other schools.

***Comprehensiveness of Project Scopes:*** City Schools' 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. Comprehensiveness of scope means that all elements are included in the scope of the subject project so that the system or equipment will operate properly when completed, will not require major work for a length of time after completion, and will not become a maintenance burden through failure to include critical components. Comprehensiveness of scope does not mean all deficiencies in a building are corrected.

For City Schools, systemic renovations are often pursued across many schools in an attempt to distribute scarce resources as broadly as possible. This is understandable, given the age and poor condition of the BCPS facilities; however, the benefits of this practice are limited or negated if the projects do not work as specified or as needed because the original scope of the project was not as complete as it should have been. The resulting impact can be projects that are delayed because of



*D25E03 – Interagency Committee on School Construction*

additional work or change orders required to make the project work, increased costs from needing to expand the scope, over-taxing maintenance staff if the investment deteriorates or malfunctions prematurely, or negative impacts to other investments or projects because surrounding systems were not simultaneously improved. IAC has identified multiple instances of this issue within BCPS, which suggests a serious misallocation of resources and the inability of building occupants to enjoy a comfortable and healthy interior environment.

***Coordinated Development of Project Design:*** City Schools does not maintain effective coordination among affected parties for project scopes, designs, and schedules. This has a particular impact on the long-term maintenance requirements for projects. Good project planning involves many affected parties, including principals, staff at the facility, the community, and maintenance personnel. Maintenance staff, in particular, should be involved because they will be responsible for the completed project and have the direct ability to improve the project by way of institutional knowledge and experience. Including maintenance staff in the planning process does require additional time; however, that investment in staff time resources during project planning will pay dividends in terms of improved efficiency and effectiveness with the overall project.

According to IAC staff, BCPS only provides maintenance staff with a few days to comment on the complete *Capital Improvement Program (CIP)* prior to submission. Joint meetings on project priorities and scopes have not occurred. Prior to 2014, maintenance was rarely brought into project management until the project was developed or completed. When specific requests were made for maintenance-friendly equipment, substitutions often occurred due to field decisions by consultants. Although these issues are not unique to BCSP and cannot be fully avoided, the exceptional number of problems observed with City Schools' projects suggests that more needs to be done to incorporate maintenance into the capital planning process in order to protect the value of the State investment.

***Sequencing of Project Scopes:*** City Schools does not generally plan in a way that ensures early installations will be protected from damage. It is often necessary to phase work that must be done to a particular school because of budgetary constraints and the absence of available swing space to house students during the renovation work. The need to phase work, in some cases over multiple years, make the establishment of a building plan that shows a logical sequence and schedule of work essential in order to allow work in place to be protected once it is installed and to minimize the disturbance to students and work already completed.

For City Schools, IAC has noted several instances in which sequencing was not evident in BCPS facilities, jeopardizing any progress already made. Evidence suggests that the identification and scheduling of projects is haphazard and seems to occur in reaction to emergency conditions, complaints, community pressure, and funding opportunities.

***Contract Administration:*** Administration of City Schools' contracts does not ensure that the requirements of the contract will be met, that project specifications and good construction practices are adhered to, or that the installation is fully operational before final payment is made to the contractors. Thorough and continuous oversight over the administration of construction contracts is essential in order to achieve durable, quality results. Tools, such as the use of design documents, an open and

competitive procurement process, oversight of construction, and a closeout process that retains sufficient funds to ensure the contractor fulfills all obligations are commonly used in capital projects.

For City Schools, IAC staff has observed a number of projects that were not completed and resulted in ongoing maintenance or corrections at the expense of the school system, not the contractors who made the errors. Because of constraints on manpower and resources, necessary corrections often did not occur or took an extremely long time to correct. This indicates insufficient oversight of contracted work. Although BCPS has tried to address the problem in the past by contracting with outside vendors to manage projects, only the direct and frequent involvement of the owner will guarantee that the owner's requirements are met. The result has been poor installations, late completion, and unsafe conditions on site.

***Maintenance:*** The recurring theme throughout the report is the need to improve maintenance with BCPS. Maintenance operations are directly impacted by the other five concerns identified by IAC staff. The lack of proper maintenance has been addressed extensively by IAC for years. 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 to the BCPS system are grossly insufficient. This was a major concern for the General Assembly, particularly in consideration of the passage of Chapter 647.

The memorandum of understanding (MOU) approved in October 2013 has helped make progress in improving maintenance for all existing, new, and renovated facilities operated by BCPS through the creation of a Comprehensive Maintenance Plan (CMP), which includes maintenance performance metrics. BCPS is also in the process of procuring a computerized maintenance management system designed to help outline the capital investments needed at each school, define the timeframe and sequence for carrying out these improvements, and identify potential funding sources. The CMP further requires BCPS to increase maintenance funding and staffing by \$3.0 million per year beginning in fiscal 2015, although it is not clear whether this funding obligation has been met by the school system.

## **Recommendations**

To address the identified areas of concern, IAC staff recommend that City Schools make the following improvements:

- engage an executive director with overall authority for all aspects of capital design/construction, maintenance, and building operations;
- establish a formal plan of facility management improvement similar and in parallel to the CMP approved in September 2014;
- develop formal written procedures regarding all aspects of facility management to serve as a checklist and provide for accountability among staff; and

*D25E03 – Interagency Committee on School Construction*

- develop an individual building plan for every school facility that is not scheduled for renovation or replacement under the 21st Century Buildings Plan.

Concern was expressed during the course of the CIP evaluation and recommendation process that the BCPS submission was incomplete, lacked eligible projects, and required significant revisions. In January 2015, IAC brought recommendations to BPW for how to allocate 75% of a \$250 million general obligation bond appropriation for public school construction. The recommendation for BCPS was \$16.4 million. The fiscal 2016 budget for MSA also includes the first \$20.0 million installment from the State toward its share of the \$1.1 billion initiative.

As the State continues to contribute significant, albeit necessary, levels of funding for Baltimore City's public school facilities, considerable attention should be given to ensure that continued improvements are made by BCPS to address the concerns expressed by IAC regarding the school system's ability to effectively and efficiently manage its capital projects. This needs to be done in order to ensure that the most value is achieved for the limited State and local resources that are committed to these projects.

**DLS recommends the adoption of committee narrative requesting that IAC provide an update to its November 2014 report informing the budget committees as to the status of any progress made by BCPS in addressing the identified areas of concern.**

## ***Recommended Actions***

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

, provided that \$50,000 of this appropriation made for the purpose of General Administration may not be expended until the Interagency Committee on School Construction submits fiscal 2013 and 2014 annual maintenance reports to the budget committees. The reports shall be submitted by September 1, 2015, 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 \$50,000 in general funds for the Interagency Committee on School Construction (IAC) until fiscal 2013 and 2014 annual maintenance reports are submitted to the budget committees.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Fiscal 2013 annual maintenance report	IAC	September 1, 2015
Fiscal 2014 annual maintenance report	IAC	September 1, 2015

2. Adopt the following narrative:

**Baltimore City Public School System Construction Management Capacity Progress Report:** The budget committees are concerned about the ongoing issues raised by staff for the Interagency Committee on School Construction (IAC) regarding the apparent mismanagement of State-funded projects by the Baltimore City Public School (BCPS) system. In order to address those issues and bring the construction management capacity of BCPS more in line with other Maryland school systems, the budget committees urge BCPS to strongly consider adoption of the recommendations put forth by IAC staff in its November 2014 report. As a means of monitoring the school system’s progress toward reconciling the identified areas of concern, the budget committees request that IAC submit a progress report detailing the efforts made by BCPS to improve the management of state-funded projects and protect the investments made using State and local resources. In addition to noting any progress, or lack thereof, the report should also identify any additional or continued concerns. This progress report shall be submitted to the budget committees no later than December 15, 2015.

*D25E03 – Interagency Committee on School Construction*

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Progress report on BCPS improvements to construction management	IAC	December 15, 2015

## *Current and Prior Year Budgets*

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### 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>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$1,767	\$0	\$0	\$0	\$1,767
Deficiency Appropriation	-51	0	0	0	-51
Budget Amendments	39	0	0	0	39
Reversions and Cancellations	-8	0	0	0	-8
<b>Actual Expenditures</b>	<b>\$1,747</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,747</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$1,850	\$0	\$0	\$0	\$1,850
Cost Containment	0	0	0	0	0
Budget Amendments	14	0	0	0	14
<b>Working Appropriation</b>	<b>\$1,865</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,865</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

General fund expenditures for IAC totaled \$1.7 million in fiscal 2014, reflecting a decrease of approximately \$20,000 when compared to the legislative appropriation.

- Actions taken via deficiency appropriations reduced the legislative appropriation by a net \$51,000. Contributions to retirement, health care, and the statewide personnel system were reduced by approximately \$21,000, \$36,000, and \$4,000, respectively. These reductions were offset by a \$10,000 increase provided to fund a position reclassification.
- Budget amendments provided an increase of approximately \$39,000. In addition to the \$26,000 increase provided for the cost-of-living adjustment (COLA) and salary increments, IAC received an additional \$13,000 from the contingent fund to support unexpected annual leave payout costs.

## **Fiscal 2015**

The fiscal 2015 general fund working appropriation is nearly \$1.9 million. A statewide budget amendment allocating the 2% COLA, effective January 1, 2015, increased the legislative appropriation by \$14,182.

**Appendix 2**  
**Maintenance Survey Results**  
**Fiscal 2012**

<u>County</u>	<u>Superior</u>	<u>Good</u>	<u>Adequate</u>	<u>Not Adequate</u>	<u>Poor</u>	<u>Total</u>
Allegany	1	2				3
Anne Arundel	3	11	7	1		22
Baltimore City	2	4	5			11
Baltimore County	2	21	4			27
Calvert	3					3
Caroline		2				2
Carroll	4	2				6
Cecil	5					5
Charles	1	5				6
Dorchester	2	1				3
Frederick	4	6				10
Garrett	1	2				3
Harford		5	1			6
Howard	2	9	1			12
Kent		1				1
Montgomery	6	28	10	2		46
Prince George's	2	28	16			46
Queen Anne's		1	1			2
St. Mary's	2	1				3
Somerset	2					2
Talbot		2				2
Washington	1	5	1			7
Wicomico	1	2				3
Worcester	1	1	1			3
<b>Total</b>	<b>45</b>	<b>139</b>	<b>47</b>	<b>3</b>	<b>0</b>	<b>234</b>

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



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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	18.00	19.00	21.00	2.00	10.5%
<b>Total Positions</b>	<b>18.00</b>	<b>19.00</b>	<b>21.00</b>	<b>2.00</b>	<b>10.5%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,566,974	\$ 1,738,461	\$ 1,985,285	\$ 246,824	14.2%
02 Technical and Spec. Fees	155	0	0	0	0.0%
03 Communication	5,454	5,456	6,005	549	10.1%
04 Travel	9,791	13,000	10,000	-3,000	-23.1%
07 Motor Vehicles	11,375	10,000	10,000	0	0%
08 Contractual Services	22,382	22,217	25,576	3,359	15.1%
09 Supplies and Materials	30,572	14,500	15,100	600	4.1%
10 Equipment – Replacement	3,600	8,000	3,500	-4,500	-56.3%
11 Equipment – Additional	89,839	50,402	15,900	-34,502	-68.5%
13 Fixed Charges	6,926	2,614	6,302	3,688	141.1%
<b>Total Objects</b>	<b>\$ 1,747,068</b>	<b>\$ 1,864,650</b>	<b>\$ 2,077,668</b>	<b>\$ 213,018</b>	<b>11.4%</b>
<b>Funds</b>					
01 General Fund	\$ 1,747,068	\$ 1,864,650	\$ 2,077,668	\$ 213,018	11.4%
<b>Total Funds</b>	<b>\$ 1,747,068</b>	<b>\$ 1,864,650</b>	<b>\$ 2,077,668</b>	<b>\$ 213,018</b>	<b>11.4%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary**  
**Interagency Committee on School Construction**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 – FY 16 % Change</u>
01 General Administration	\$ 1,662,795	\$ 1,822,548	\$ 2,077,668	\$ 255,120	14.0%
02 Aging Schools Program	84,273	42,102	0	-42,102	-100.0%
<b>Total Expenditures</b>	<b>\$ 1,747,068</b>	<b>\$ 1,864,650</b>	<b>\$ 2,077,668</b>	<b>\$ 213,018</b>	<b>11.4%</b>
General Fund	\$ 1,747,068	\$ 1,864,650	\$ 2,077,668	\$ 213,018	11.4%
<b>Total Appropriations</b>	<b>\$ 1,747,068</b>	<b>\$ 1,864,650</b>	<b>\$ 2,077,668</b>	<b>\$ 213,018</b>	<b>11.4%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.