21st Century School Facilities Commission

Funding Subcommittee

Nancy K. Kopp, Chair

Agenda
November 2, 2017
10:00 a.m.
House Office Building, Room 120
Annapolis, Maryland

Work Session

State–Local Cost Share Formula

- Steve Brooks, Maryland State Department of Education

Local School Construction Funding

- Michael Rubenstein, Department of Legislative Services (DLS)

Alternative Financing/P3s

- David Lever, Former Executive Director, Public School Construction Program (PSCP)
- Paul Lebo, COO, Frederick County Public Schools

Review Draft Potential Consensus Documents

- Rachel Hise, DLS
- Alex Donahue and Cassandra Viscarra, PSCP

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State and Local Cost Share Calculation for MD School Construction

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21st Century School Facilities Commission
Funding Subcommittee
November 2, 2017
Steve Brooks

Historical Background

- The MD Board of Public Works, through the Interagency Committee for Public School Construction (IAC), establishes through COMAR the annual State and Local Cost Share Percentages for approved School Construction Projects
- Rates are identified for each fiscal year and updated every three years

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Historical Background (cont'd)

- Feb. 2004 – Final Report of the Task Force to Study Public School Facilities
  - Many major recommendations regarding school facilities
  - One recommendation was that the State establish a comprehensive model for determining State shares
  - Including local relative wealth and other factors reflecting local needs

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Historical Background (cont'd)

- 2004 Legislative Session – Public School Facilities Act (CH 306-307)
  - Required the IAC to establish a new State/Local cost share formula in COMAR, consistent with the recommendations of the Task Force to Study Public School Facilities
  - Under this formula the rates vary substantially between jurisdictions due to relative wealth and other factors
  - COMAR 23.03.02.05

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State/Local Cost Share Formula

- State percentages are calculated by a base percentage, to which up to six separate add-on components are applied
- Add-on Components:
  - **Guaranteed Tax Base**
  - **Free & Reduced Price Meals**
  - **One MD – Unemployment Rate**
  - **One MD – Per Capita Income**
  - **Five Year Enrollment Growth**
  - **Local Effort**
- There are no reductions from the base

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Base – Foundation Program

- Base Percentage is the school system's State share of the Bridge to Excellence (BTE) Foundation program
- This program provides the basic State funding for local school systems
- Program is "Wealth Equalized" so that systems with lower property and income wealth receive more State aid and vice versa
- State percentages vary from a minimum share of 15% to over 70%

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Add-on Components

- Guaranteed Tax Base
  - This is another BTE State Aid program, designed to provide aid to less wealthy systems that provide higher than the required school funding levels
  - The add-on is the percentage that this program represents relative to the Foundation program

Add-on Components (cont'd)

- Free and Reduced Price Meals (FARMs)
  - FARMs eligibility is used in the State Aid calculations as a proxy for students requiring additional resources due to economic disadvantage
  - The add-on formula compares the local percentage of FARMs to the statewide percentage
  - Add-on is 20% of any excess

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Add-on Components (cont'd)

- One Maryland Counties Components
  - 5 percentage points each if the county qualifies for either or both of two tests
  - One Maryland – Unemployment Rate
    - For One Maryland counties with an unemployment rate greater than 1.5 times the State average
  - One Maryland – Per Capita Income
    - For One Maryland counties with a per capita income below 67% of the Statewide amount

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Five Year Enrollment Growth

- Provides an add-on if the five year enrollment growth, as used in the BTE Foundation program, exceeds the statewide growth
- Calculated by subtracting the statewide enrollment growth from the local enrollment growth
- No reduction if negative

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Local Effort

- Staff from the MD Public School Construction Program obtain Debt and PAYGO information from all jurisdictions
- This figure is compared to local wealth
  - as used in the BTE Foundation program
- To the extent that this figure exceeds 1% of the wealth, the excess is multiplied by 10 and becomes the add-on

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State Percentage

- The State Percentage is the total of the base percentage and any add-ons for which the county qualifies
- Each component is calculated in tenths of a percent, summed, and then the total is rounded to the nearest whole percent

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State Percentage

- Constraints
  - No system is provided a State percentage less than 50%
  - Beginning in FY 2019, no system may have a percentage greater than 98%*
  - The State percentage may not decrease by more than 5 percentage points in any year
    - If the formula results in a decrease of over 5%, the change is phased-in so that no year has a decrease over 5%

*Note: the BPW on 10/18/17 continued 100% for Somerset for FY 2019

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Calculation and Approval

- Preparation – Collaborative Process
  - MD Public School Construction Program
  - MD State Department of Education
  - MD Department of Commerce
- Approval – MD Interagency Committee for Public School Construction (IAC)
- IAC Recommendation of State share percentages to the Maryland Board of Public Works (BPW)

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Calculation & Approval (cont'd)

- MD Board of Public Works
  - Met October 18, 2017
  - Noted concerns about setting a three-year set of rates and impact of decreases
  - Approved rates for one year only, FY 2019
  - Allowed the calculated increases
  - Held harmless the nine counties that were slated for decreased State percentages

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Thank You!

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State Share Percentages

Fiscal 2018 and 2019

	FY 2018	FY 2019			
		IAC		BPW	
County	FINAL	Recommended	Difference	Approved *	Difference
Allegany	83%	85%	+ 2%	85%	+ 2%
Anne Arundel	50%	50%	--	50%	--
Baltimore City	93%	91%	- 2%	93%	--
Baltimore	52%	56%	+ 4%	56%	+ 4%
Calvert	53%	53%	--	53%	--
Caroline	80%	81%	+ 1%	81%	+ 1%
Carroll	59%	55%	- 4%	59%	--
Cecil	63%	66%	+ 3%	66%	+ 3%
Charles	61%	61%	--	61%	--
Dorchester	76%	75%	- 1%	76%	--
Frederick	64%	60%	- 4%	64%	--
Garrett	50%	50%	--	50%	--
Harford	63%	60%	- 3%	63%	--
Howard	55%	54%	- 1%	55%	--
Kent	50%	50%	--	50%	--
Montgomery	50%	50%	--	50%	--
Prince George's	63%	70%	+ 7%	70%	+ 7%
Queen Anne's	50%	51%	+ 1%	51%	+ 1%
St. Mary's	58%	57%	- 1%	58%	--
Somerset	100%	96%	- 4%	100%	--
Talbot	50%	50%	--	50%	--
Washington	71%	71%	--	71%	--
Wicomico	97%	95%	- 2%	97%	--
Worcester	50%	50%	--	50%	--

* Note: On 10/18/17, the MD Board of Public Works (BPW) approved (for review by AELR and public comment) the increased rates for FY 2019, holding harmless at the FY 2018 rates any counties showing a proposed decrease.

The Maryland School for the Blind is set at 93% for FY 2018 and FY 2019

Calculation of State and Local Cost Share Formula *

For FY 2019 to 2021

County	FY 2017 State Share of Foundation	FY 2017 Guaranteed Tax Base Add-on	Fall 2015 20% of FRPM% Above State Average	Distressed County Add-On	Enrollment Growth '10-'15 Beyond State Average	FY 2015 Local Debt+PAYGO Above 1% of Local Wealth	Percent State Share with Add-ons (50% minimum, 98% maximum)	Percent Local Share with Add-ons
Allegany	71.5%	6.3%	2.4%	5.0%	--	--	85.0%	15.0%
Anne Arundel	38.8%	--	--	--	3.0%	3.8%	50.0%	50.0%
Baltimore City	69.0%	4.8%	8.2%	5.0%	--	3.6%	91.0%	9.0%
Baltimore	51.3%	--	0.5%	--	3.8%	--	56.0%	44.0%
Calvert	52.9%	--	--	--	--	--	53.0%	47.0%
Caroline	73.0%	3.4%	2.2%	--	--	2.0%	81.0%	19.0%
Carroll	52.9%	--	--	--	--	2.1%	55.0%	45.0%
Cecil	62.8%	0.9%	--	--	--	2.6%	66.0%	34.0%
Charles	61.0%	0.1%	--	--	--	--	61.0%	39.0%
Dorchester	65.5%	2.8%	4.6%	--	--	1.8%	75.0%	25.0%
Frederick	56.9%	--	--	--	--	2.9%	60.0%	40.0%
Garrett	38.4%	--	0.4%	--	--	--	50.0%	50.0%
Harford	54.0%	--	--	--	--	6.1%	60.0%	40.0%
Howard	43.6%	--	--	--	4.2%	6.5%	54.0%	46.0%
Kent	17.4%	--	1.7%	--	--	--	50.0%	50.0%
Montgomery	30.8%	--	--	--	5.2%	1.1%	50.0%	50.0%
Prince George's	63.1%	1.0%	3.7%	--	--	2.0%	70.0%	30.0%
Queen Anne's	42.4%	--	--	--	--	9.0%	51.0%	49.0%
St. Mary's	56.6%	--	--	--	--	--	57.0%	43.0%
Somerset	72.2%	6.8%	5.7%	10.0%	--	1.2%	96.0%	4.0%
Talbot	15.0%	--	--	--	0.4%	--	50.0%	50.0%
Washington	66.4%	3.7%	0.9%	--	--	--	71.0%	29.0%
Wicomico	73.7%	6.1%	2.4%	--	0.1%	12.4%	95.0%	5.0%
Worcester	15.0%	--	--	5.0%	--	2.7%	50.0%	50.0%

* As recommended by the IAC to the MD Board of Public Works - 10/18/17

Comparison of State and Local Cost Share Formula

For FY 2019 to 2021 with FY 2016 to 2018 - As Recommended by IAC to the MD BPW 10/18/2017 *

	BASE			*ADD - ONS*								
	State Share of Foundation			Guaranteed Tax Base Add-on			20% of FRPM% Above State Average			Distressed County Add-Ons		
County	FY17	FY14	Δ	FY17	FY14	Δ	Fall 15	Fall 12	Δ	2017	2014	Δ
Allegany	71.5%	69.7%	1.8%	6.3%	6.1%	0.2%	2.4%	2.4%	--	5.0%	5.0%	--
Anne Arundel	38.8%	38.6%	0.2%	--	--	--	--	--	--	--	--	--
Baltimore City	69.0%	***71.3%***	-2.3%	4.8%	***7.0%***	-2.2%	***8.2%***	***8.4%***	-0.2%	5.0%	5.0%	--
Baltimore	51.3%	49.6%	1.7%	--	--	--	0.5%	0.7%	-0.2%	--	--	--
Calvert	52.9%	52.7%	0.2%	--	--	--	--	--	--	--	--	--
Caroline	73.0%	69.3%	3.7%	3.4%	1.6%	1.8%	2.2%	3.0%	-0.8%	--	5.0%	-5.0%
Carroll	52.9%	54.7%	-1.8%	--	--	--	--	--	--	--	--	--
Cecil	62.8%	60.5%	2.3%	0.9%	0.1%	0.8%	--	--	--	--	--	--
Charles	61.0%	60.6%	0.4%	0.1%	0.2%	-0.1%	--	--	--	--	--	--
Dorchester	65.5%	61.4%	***4.1%***	2.8%	0.5%	***2.3%***	4.6%	3.9%	***0.7%***	--	5.0%	-5.0%
Frederick	56.9%	58.2%	-1.3%	--	--	--	--	--	--	--	--	--
Garrett	38.4%	36.9%	1.5%	--	--	--	0.4%	1.1%	-0.7%	--	--	--
Harford	54.0%	54.4%	-0.4%	--	--	--	--	--	--	--	--	--
Howard	43.6%	44.5%	-0.9%	--	--	--	--	--	--	--	--	--
Kent	17.4%	19.5%	-2.1%	--	--	--	1.7%	1.6%	0.1%	--	--	--
Montgomery	30.8%	30.9%	-0.1%	--	--	--	--	--	--	--	--	--
Prince George's	63.1%	59.6%	3.5%	1.0%	--	1.0%	3.7%	3.4%	0.3%	--	--	--
Queen Anne's	42.4%	40.6%	1.8%	--	--	--	--	--	--	--	--	--
St. Mary's	56.6%	55.1%	1.5%	--	--	--	--	--	--	--	--	--
Somerset	72.2%	69.9%	2.3%	***6.8%***	5.6%	1.2%	5.7%	5.7%	--	***10.0%***	***10.0%***	--
Talbot	15.0%	15.0%	--	--	--	--	--	--	--	--	--	--
Washington	66.4%	64.9%	1.5%	3.7%	3.3%	0.4%	0.9%	1.1%	-0.2%	--	--	--
Wicomico	***73.7%***	70.6%	3.1%	6.1%	3.8%	***2.3%***	2.4%	2.8%	-0.4%	--	--	--
Worcester	15.0%	15.0%	--	--	--	--	--	0.4%	-0.4%	5.0%	5.0%	--

Formatting notes: the largest figure in each column is shown in bold; negative changes are shaded in pink.

* Note: On 10/18/17, the BPW approved (for review by AELR and public comment) the increased rates for FY 2019, holding harmless at the FY 2018 rates any counties showing a proposed decrease.

Comparison of State and Local Cost Share Formula

For FY 2019 to 2021 with FY 2016 to 2018 - As Recommended by IAC to the MD BPW 10/18/2017 *

	ADD - ONS											
	Enrollment Growth Beyond State Average			Local Debt+PAYGO Above 1% of Local Wealth (x10)			Unrounded Calculation of State Share			Recommended Pct State Share with Add-ons (50%min, 98%max)		
County	'10-'15	'07-'12	Δ	FY15	FY12	Δ	2016	2013	Δ	2016	2013	Δ
Allegany	--	--	--	--	--	--	85.2%	83.2%	2.0%	85%	83%	2%
Anne Arundel	3.0%	3.9%	-0.9%	3.8%	0.3%	3.5%	45.6%	42.8%	2.8%	50%	50%	--
Baltimore City	--	1.7%	-1.7%	3.6%	--	***3.6%***	90.6%	93.4%	-2.8%	91%	93%	-2%
Baltimore	3.8%	1.4%	***2.4%***	--	--	--	55.6%	51.7%	3.9%	56%	52%	4%
Calvert	--	--	--	--	--	--	52.9%	52.7%	0.2%	53%	53%	--
Caroline	--	--	--	2.0%	0.6%	1.4%	80.6%	79.5%	1.1%	81%	80%	1%
Carroll	--	--	--	2.1%	4.6%	-2.5%	55.0%	59.3%	-4.3%	55%	59%	-4%
Cecil	--	--	--	2.6%	2.4%	0.2%	66.3%	63.0%	3.3%	66%	63%	3%
Charles	--	--	--	--	--	--	61.1%	60.8%	0.3%	61%	61%	--
Dorchester	--	--	--	1.8%	4.8%	-3.0%	74.7%	75.6%	-0.9%	75%	76%	-1%
Frederick	--	--	--	2.9%	5.4%	-2.5%	59.8%	63.6%	-3.8%	60%	64%	-4%
Garrett	--	--	--	--	--	--	38.8%	38.0%	0.8%	50%	50%	--
Harford	--	--	--	6.1%	8.2%	-2.1%	60.1%	62.6%	-2.5%	60%	63%	-3%
Howard	4.2%	3.6%	0.6%	6.5%	6.7%	-0.2%	54.3%	54.8%	-0.5%	54%	55%	-1%
Kent	--	--	--	--	--	--	19.1%	21.1%	-2.0%	50%	50%	--
Montgomery	***5.2%***	***6.3%***	-1.1%	1.1%	1.0%	0.1%	37.1%	38.2%	-1.1%	50%	50%	--
Prince George's	--	--	--	2.0%	0.3%	1.7%	69.8%	63.3%	***6.5%***	70%	63%	7%
Queen Anne's	--	--	--	9.0%	6.4%	2.6%	51.4%	47.0%	4.4%	51%	50%	1%
St. Mary's	--	2.3%	-2.3%	--	1.0%	-1.0%	56.6%	58.4%	-1.8%	57%	58%	-1%
Somerset	--	--	--	1.2%	10.0%	-8.8%	***95.9%***	***101.2%***	-5.3%	96%	100%	-4%
Talbot	0.4%	--	0.4%	--	--	--	15.4%	15.0%	0.4%	50%	50%	--
Washington	--	2.0%	-2.0%	--	--	--	71.0%	71.3%	-0.3%	71%	71%	--
Wicomico	0.1%	--	0.1%	***12.4%***	***19.5%***	-7.1%	94.7%	96.7%	-2.0%	95%	97%	-2%
Worcester	--	--	--	2.7%	--	2.7%	22.7%	20.4%	2.3%	50%	50%	--

Formatting notes: the largest figure in each column is shown in bold; negative changes are shaded in pink; total percentages for the counties subject to the 50% minimum share are shown in yellow.

* Note: On 10/18/17, the BPW approved (for review by AELR and public comment) the increased rates for FY 2019, holding harmless at the FY 2018 rates any counties showing a proposed decrease.

Local School Construction Funding

Presentation to the
21st Century School Facilities Commission

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland
November 2, 2017

Data Collection

- Data were collected for fiscal 2013 to 2015 to allow for comparisons with the most recent debt outstanding figures used in the State cost share formula.

- With one exception, data reflect budgeted amounts approved in each county's capital budget; actual expenditures were provided by Somerset County.

Limitations of Data

- Pay-as-you-go expenditures reported to the Interagency Committee on School Construction do not match those shown in local capital budgets.

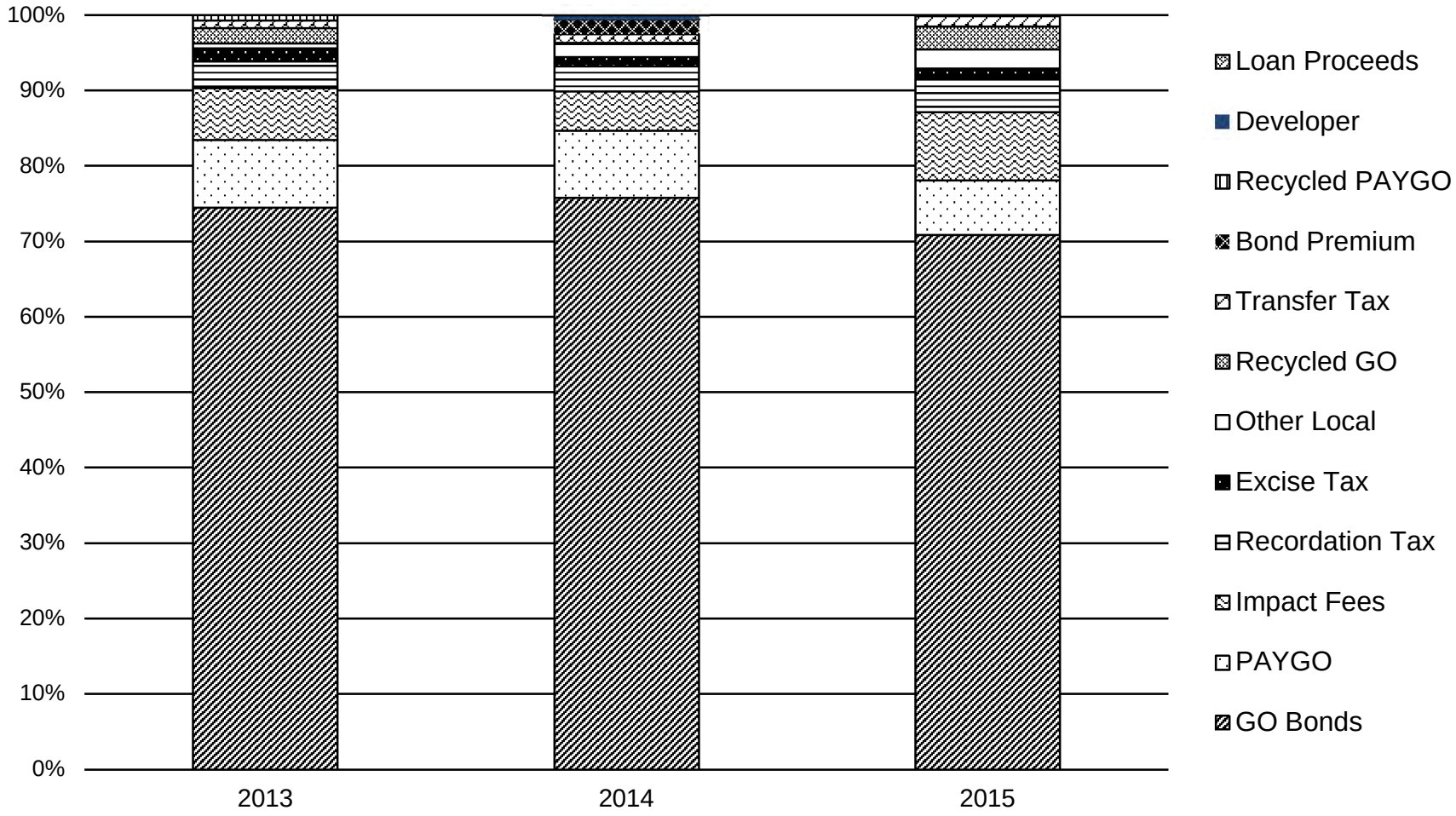
- Budgeted amounts do not always reflect actual expenditures.

- Some capital budgets may include expenditures for “maintenance.”

Budgeted Expenditures by County

	FY 2013	FY 2014	FY 2015	Total
Allegany	$96,000	$143,000	$2,296,000	$2,535,000
Anne Arundel	86,471,000	91,241,000	112,974,000	290,686,000
Baltimore City	16,744,000	17,000,000	17,000,000	50,744,000
Baltimore	27,591,035	148,779,744	19,294,000	195,664,779
Calvert	5,642,500	3,971,139	3,963,250	13,576,889
Caroline	445,000	0	6,122,000	6,567,000
Carroll	18,385,000	17,727,315	16,971,119	53,083,434
Cecil	2,386,000	13,577,000	5,319,000	21,282,000
Charles	9,846,000	6,339,000	12,214,000	28,399,000
Dorchester	0	0	211,000	211,000
Frederick	7,023,729	23,772,074	5,060,812	35,856,615
Garrett	0	756,722	0	756,722
Harford	400,000	34,106,756	20,835,000	55,341,756
Howard	45,000,000	57,250,000	55,312,000	157,562,000
Kent	0	54,300	764,165	818,465
Montgomery	229,359,000	209,652,000	207,592,000	646,603,000
Prince George's	78,812,000	88,201,000	110,589,000	277,602,000
Queen Anne's	1,077,800	12,200,000	8,337,710	21,615,510
St. Mary's	6,237,000	17,571,000	11,240,918	35,048,918
Somerset	192,213	276,905	457,295	926,413
Talbot	0	379,000	0	379,000
Washington	3,769,000	8,147,800	6,075,000	17,991,800
Wicomico	12,873,700	13,181,900	7,525,500	33,581,100
Worcester	255,000	1,320,771	0	1,575,771
Total	**$552,605,977**	**$765,648,426**	**$630,153,769**	**$1,948,408,172**

Sources of Local Funding
Fiscal 2013-2015



Local Outstanding Debt and PAYGO

	School Construction Debt as of June 30, 2015	FY 2013-2015 School Construction PAYGO	Outstanding Debt & PAYGO
Allegany	$16,842,169	$523,298	$17,365,467
Anne Arundel	593,229,673	56,735,552	649,965,225
Baltimore City	320,498,575	1,306,767	321,805,342
Baltimore	458,491,000	11,137,678	469,628,678
Calvert	41,794,054	3,734,603	45,528,657
Caroline	17,919,221	0	17,919,221
Carroll	99,763,496	42,833,091	142,596,587
Cecil	67,928,321	4,692,632	72,620,953
Charles	68,062,355	3,362,261	71,424,616
Dorchester	18,574,300	200,000	18,774,300
Frederick	208,316,920	9,055,323	217,372,243
Garrett	0	795,400	795,400
Harford	267,181,665	4,254,231	271,435,896
Howard	461,034,368	26,300,000	487,334,368
Kent	3,393,714	821,465	4,215,179
Montgomery	1,143,494,468	0	1,143,494,468
Prince George's	564,989,980	0	564,989,980
Queen Anne's	66,219,608	14,457,352	80,676,960
St. Mary's	42,060,130	19,157,190	61,217,320
Somerset	8,751,022	145,890	8,896,912
Talbot	25,371,682	975,030	26,346,712
Washington	52,003,050	17,991,800	69,994,850
Wicomico	83,908,774	3,141,670	87,050,444
Worcester	86,035,000	1,853,400	87,888,400
Total	**$4,715,863,545**	**$223,474,633**	**$4,939,338,178**

Comparison of Budgeted Funding and Outstanding Debt
Fiscal 2013-2015

	% of Total Local Funding	% of Total Outstanding Debt and PAYGO	Difference
Allegany	0.1%	0.4%	0.2%
Anne Arundel	14.9%	13.2%	-1.8%
Baltimore City	2.6%	6.5%	**3.9%**
Baltimore	10.0%	9.5%	-0.5%
Calvert	0.7%	0.9%	0.2%
Caroline	0.3%	0.4%	0.0%
Carroll	2.7%	2.9%	0.2%
Cecil	1.1%	1.5%	0.4%
Charles	1.5%	1.4%	0.0%
Dorchester	0.0%	0.4%	0.4%
Frederick	1.8%	4.4%	2.6%
Garrett	0.0%	0.0%	0.0%
Harford	2.8%	5.5%	2.7%
Howard	8.1%	9.9%	1.8%
Kent	0.0%	0.1%	0.0%
Montgomery	33.2%	23.2%	**-10.0%**
Prince George's	14.2%	11.4%	-2.8%
Queen Anne's	1.1%	1.6%	0.5%
St. Mary's	1.8%	1.2%	-0.6%
Somerset	0.0%	0.2%	0.1%
Talbot	0.0%	0.5%	0.5%
Washington	0.9%	1.4%	0.5%
Wicomico	1.7%	1.8%	0.0%
Worcester	0.1%	1.8%	1.7%

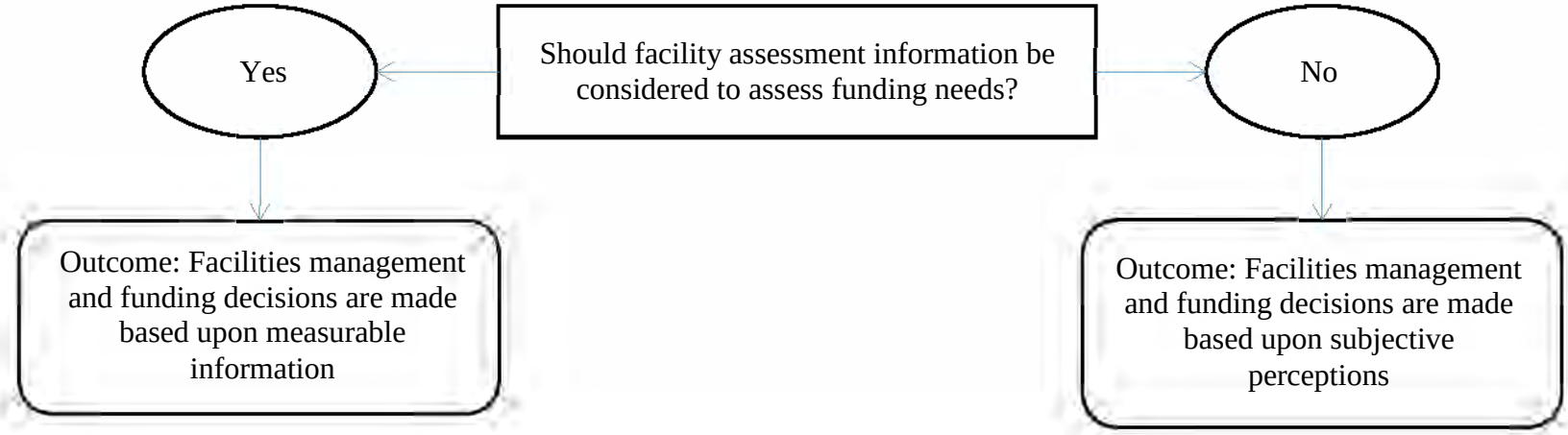
Conclusions

- Outstanding school construction debt + PAYGO is a reasonable proxy for local school construction effort.

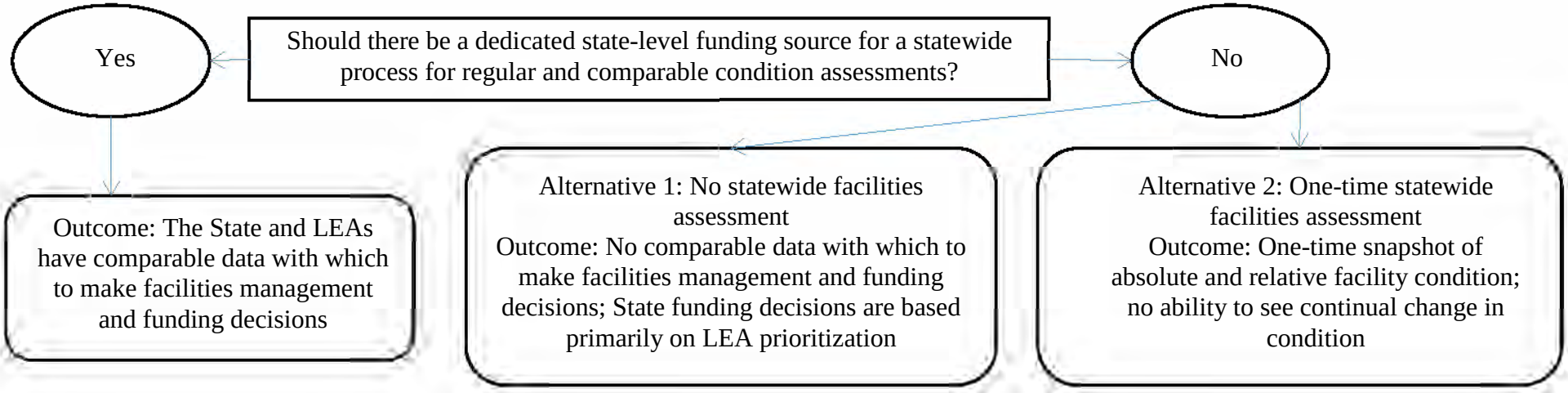
- Reporting of annual PAYGO amounts is inconsistent and should be examined.

Draft Decision Chart for Funding Subcommittee
Potential Consensus Document

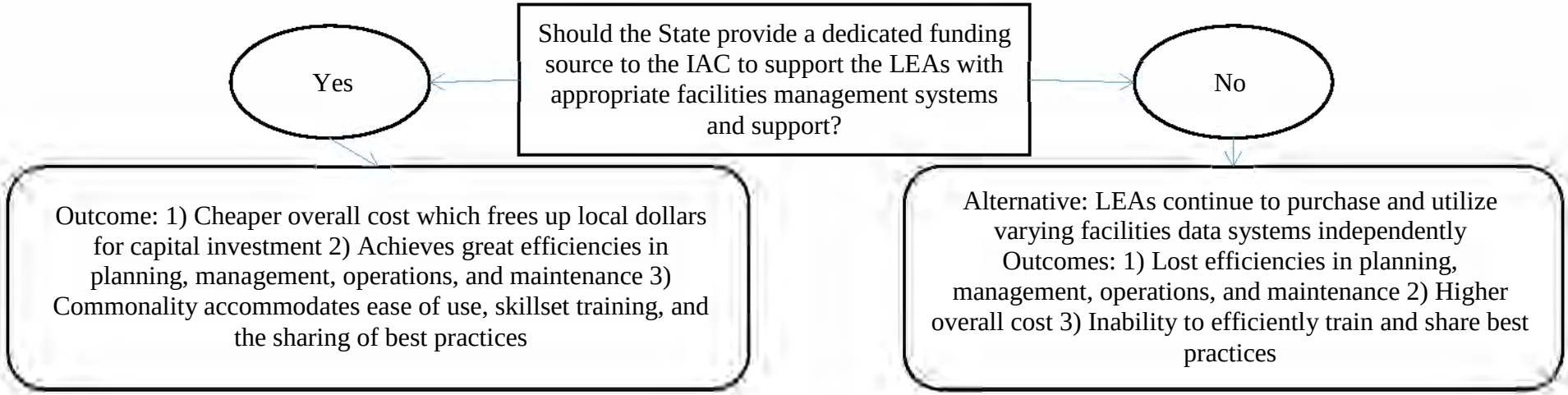
1. Facility condition assessments provide actionable information from the statewide level, to counties, to individual schools, to individual buildings and down to the building systems that make up facilities (roofs, HVAC, electrical, etc.).



2. There has not been a statewide school facility condition assessments since 2004 due to lack of funding.



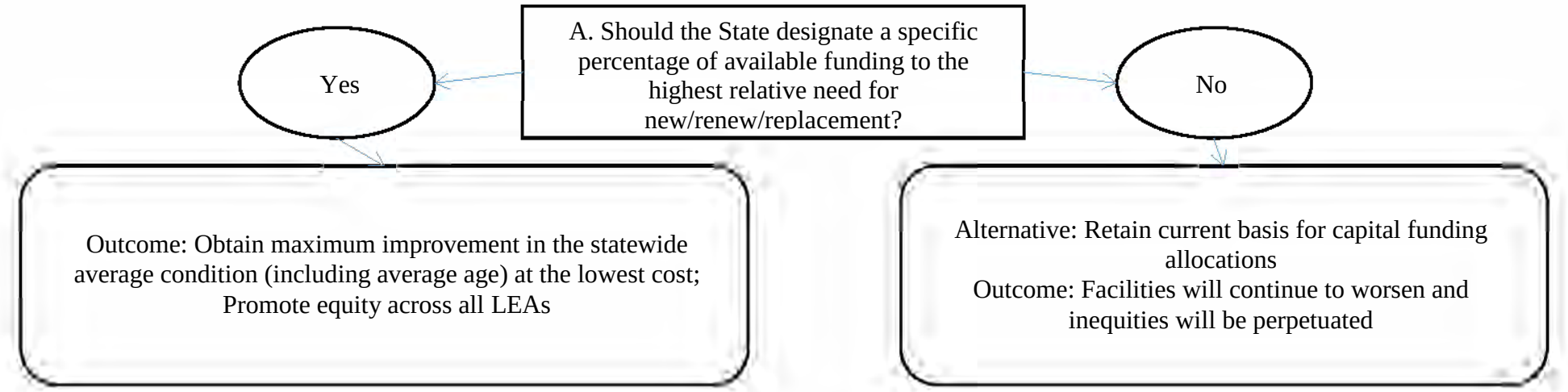
3. Systems such as computerized maintenance management systems (CMMS) have become essential in managing the large amount of data associated with facilities. Leveraging the scale of statewide purchasing for facilities management tools, systems, and support services provides considerable savings over the sum of the LEAs purchasing independently.

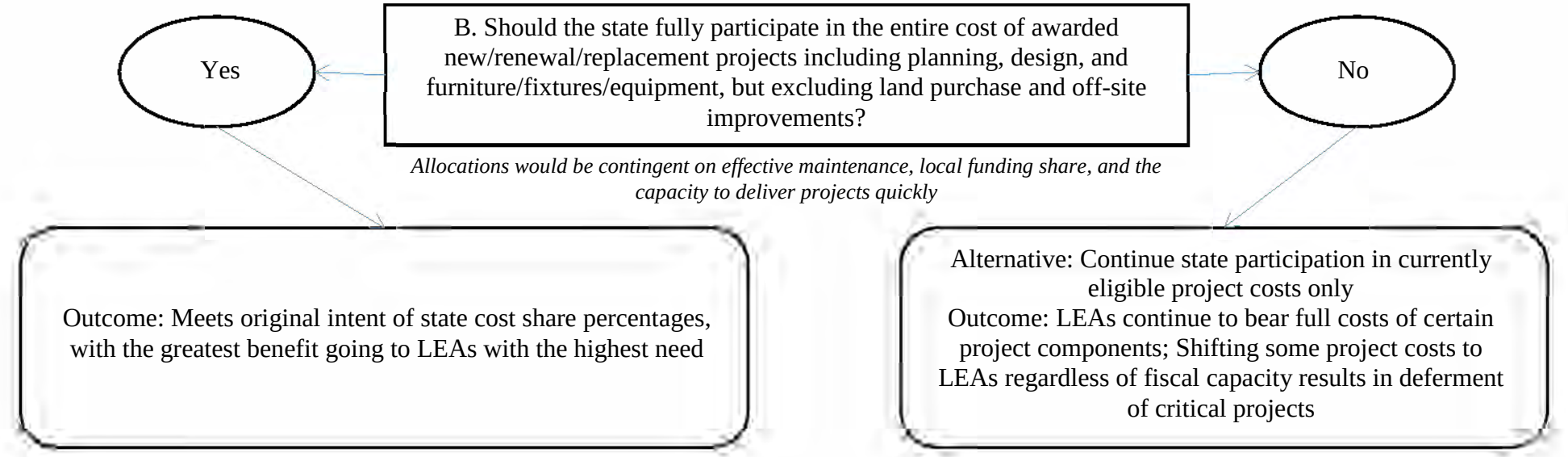


Potential Funding Mechanisms

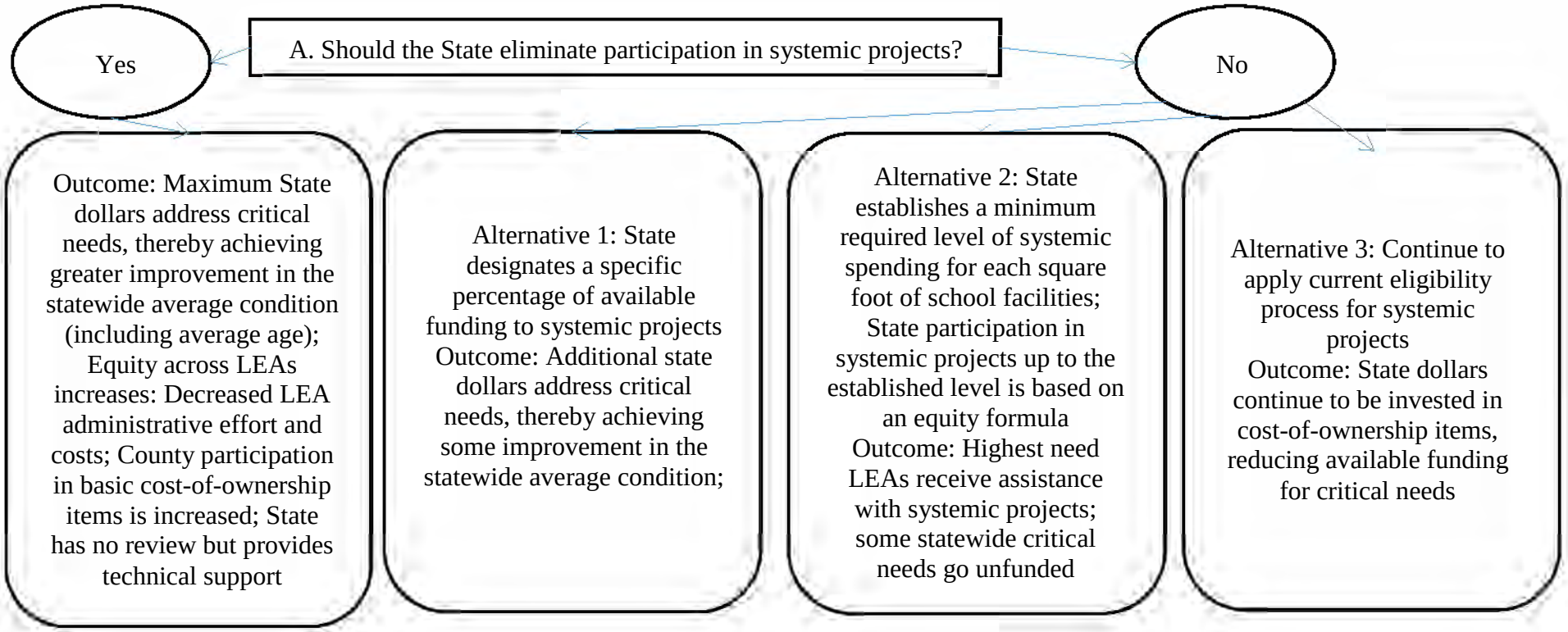
The following options (4-7) are intended to maximize funding and allocation effectiveness by utilizing funding for specific outcomes. The average age of Maryland's school facilities, a measure of overall estimated condition, has worsened from just over 12 years in 1970, to 24 in 2005, to 29 currently. The expected age of a school facility is 50 years.

4. Prioritizing funding for **Critical Capital** needs (the greatest relative deficiencies, including facility condition, capacity, and educational functionality) maximizes the value of State capital dollars by generating the greatest relative improvement.

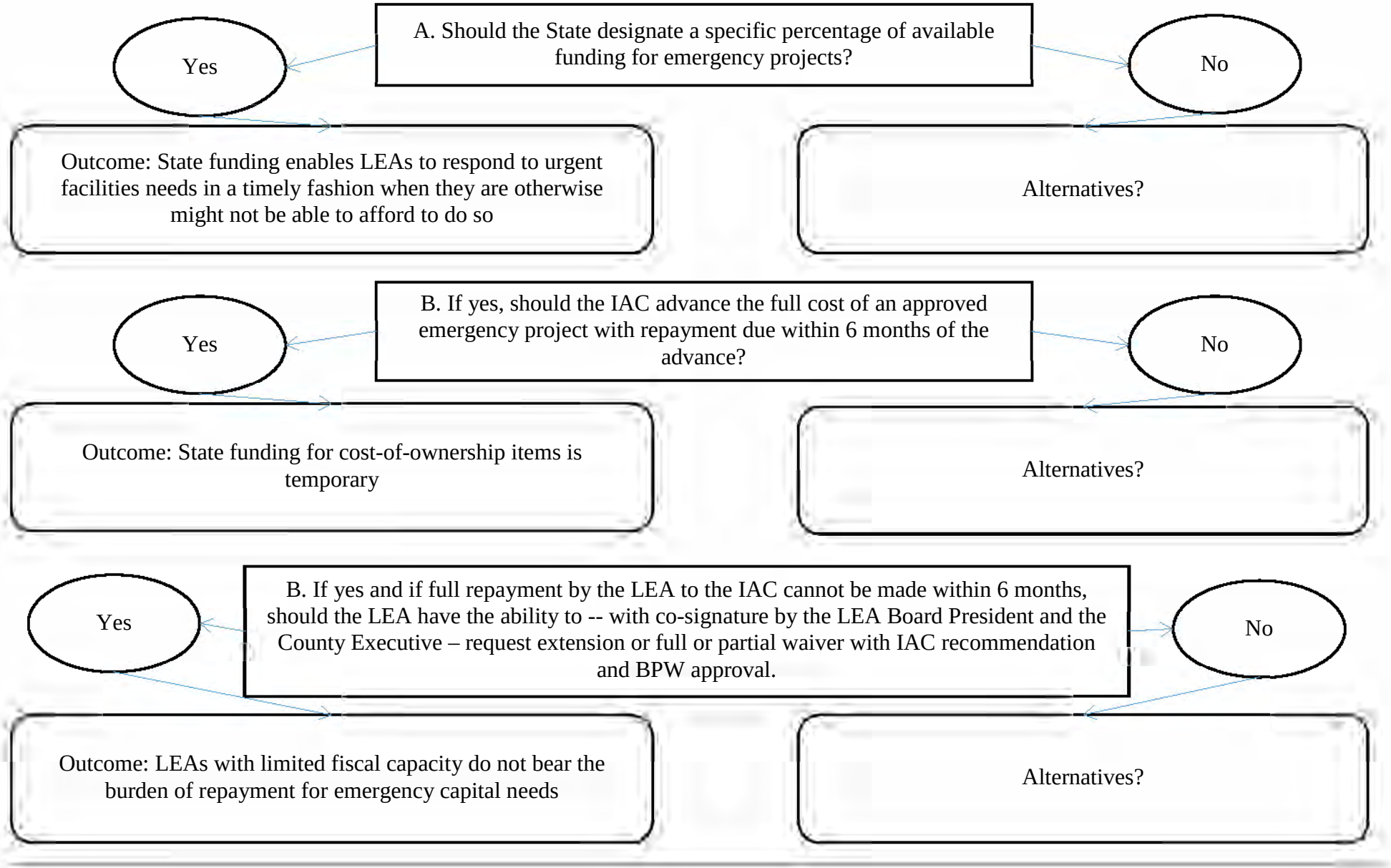

A. Should the State designate a specific percentage of available funding to the highest relative need for new/renew/replacement?
Yes
No
Outcome: Obtain maximum improvement in the statewide average condition (including average age) at the lowest cost; Promote equity across all LEAs
Alternative: Retain current basis for capital funding allocations
Outcome: Facilities will continue to worsen and inequities will be perpetuated


B. Should the state fully participate in the entire cost of awarded new/renewal/replacement projects including planning, design, and furniture/fixtures/equipment, but excluding land purchase and off-site improvements?
Yes
No
Allocations would be contingent on effective maintenance, local funding share, and the capacity to deliver projects quickly
Outcome: Meets original intent of state cost share percentages, with the greatest benefit going to LEAs with the highest need
Alternative: Continue state participation in currently eligible project costs only
Outcome: LEAs continue to bear full costs of certain project components; Shifting some project costs to LEAs regardless of fiscal capacity results in deferment of critical projects

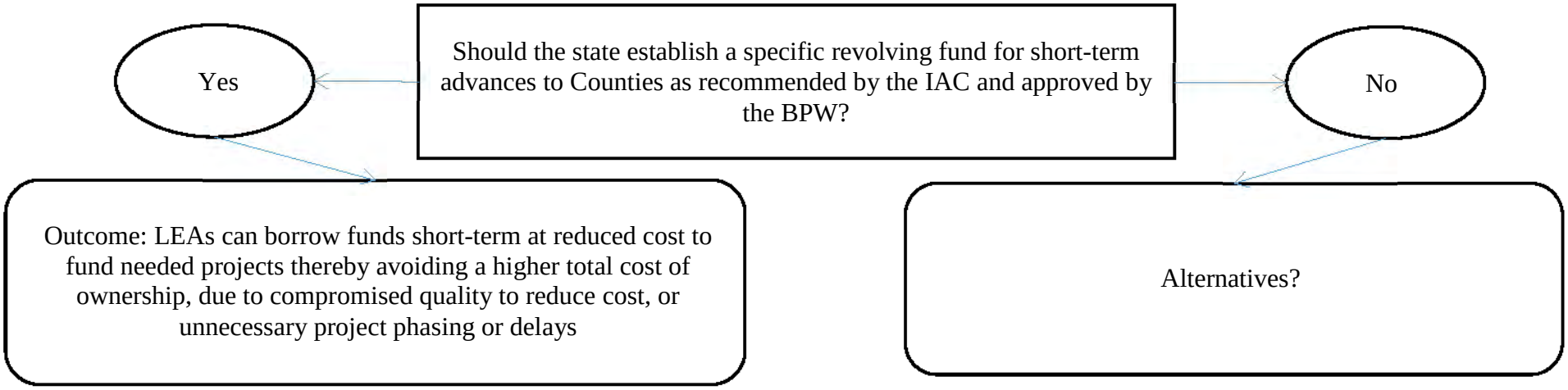
5. **Maintenance Capital** (systemic / building systems replacement) projects are required to maintain condition and functionality of existing school facilities.



6. **Emergent Capital** is necessary for unplanned repairs necessary to continue occupancy of a school facility due to issues of life safety, health or to alleviate risk of damage to or loss of the facility. Projects and associated costs of emergent work are a basic cost of ownership (stewardship), yet sometimes funds are not available when needed.



7. Some Counties are unable or unwilling to forward fund projects. A State School Facilities **Revolving Fund** could allow LEAs to borrow for short durations (3-5 years). The fund would require initial funding but would then be self-sustaining. Proceeds would be usable for critical capital, maintenance capital, or emergency capital needs.



Funding

Areas of potential consensus

1. Conduct another statewide facility assessment.

2. The State should set a new funding goal — counties must provide local match.

3. The State-Local Cost Share formula should continue to favor jurisdictions with limited resources to support school construction.

4. Review and update eligible and ineligible costs in light of changing circumstances (e.g., projectors are ineligible but many classrooms now have projectors permanently mounted to ceilings).

5. Eliminate the 2.5% withholding for contingencies from State allocation. (related to Process Subcommittee recommendation to eliminate DGS review of change orders)

6. Eliminate the requirement to submit future project requests in the CIP beyond the current year.

7. The IAC should provide technical assistance and help facilitate P3s, such as developing template lease agreements between developers and school systems.

8. Preventative maintenance is critical – there is a need to incentivize LEAs to perform required maintenance and for IAC to collect and monitor performance data through information systems

9. The State should encourage and provide technical support for agreements between LEAs and county governments, including regional partnerships, to improve efficiencies.

Areas for Further Discussion

1a. Should the assessment be done by LEAs or an outside vendor? One–time or periodic?

1b. Should LEAs have assessments of their own or standard state assessment? How would State pay for assessment?

1c. Should/how should the results of the assessment be incorporated into project funding decisions?

2a. What should be considered for a new goal? Inflation adjusted? Growth in Construction Costs? Facility assessment results?

3a. Should the components of the current cost share formula be altered?

3b. Should the cost share formula be updated/set in COMAR every 3 years (current practice)?

4a. Should eligible costs be expanded to include items like A/E, moveable furniture, artificial turf fields, etc. not currently eligible for State funding? With limited resources, any significant expansion of eligible costs may mean fewer projects receive funding in a given year.

4b. Should any costs be removed from eligibility, perhaps systemic renovations (i.e., capital maintenance)?

10. The State should explore the possibility of creating a school construction authority that issues appropriation–backed or revenue bonds with life longer than 15 years to accelerate State school construction funding.

11. Create a facility renewal fund equal to 2% of the value of the facility assets? Or require locals to create such a fund? Provide an incentive for locals to fund facility renewal?

12. Consider alternative methodology to current square footage allocations that lead to State maximum allowable square foot, such as cost per student? If keep building cost per square foot, consider regional figures rather than one statewide amount.

13. Explore the feasibility of regional (multi–district) school construction projects, e.g. regional Career and Technical Education high schools and develop mechanisms and incentives to provide State funding.

14. The State should encourage (incentivize?) the maximum use of energy savings performance contracts to improve energy efficiency in new and renovated schools. Over time, the operating savings from lower energy costs provides a new revenue source that may be monetized.

Areas for Further Discussion

10. GO bond debt is typically the least expensive option for the State. Moving to appropriation or revenue backed bonds increases the cost of debt, which may be offset by completing projects sooner and avoiding the inflationary costs.