

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$3,044	\$1,576	\$1,679	\$104	6.6%
Contingent & Back of Bill Reductions	0	0	-2	-2	
<b>Adjusted General Fund</b>	<b>\$3,044</b>	<b>\$1,576</b>	<b>\$1,677</b>	<b>\$101</b>	<b>6.4%</b>
Special Fund	48	143	0	-143	-100.0%
<b>Adjusted Special Fund</b>	<b>\$48</b>	<b>\$143</b>	<b>\$0</b>	<b>-\$143</b>	<b>-100.0%</b>
<b>Adjusted Grand Total</b>	<b>\$3,091</b>	<b>\$1,719</b>	<b>\$1,677</b>	<b>-\$42</b>	<b>-2.4%</b>

- The fiscal 2014 allowance is \$41,591 below the 2013 working appropriation. Special funds decrease \$142,747 due to the elimination of Qualified Zone Academy Bonds (QZAB) administrative support fees from the budget and the replacement of fiscal 2013 Budget Restoration Funds with general funds in fiscal 2014.

***Personnel Data***

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>
Regular Positions	18.00	17.00	17.00	0.00
Contractual FTEs	<u>1.00</u>	<u>0.50</u>	<u>0.00</u>	<u>-0.50</u>
<b>Total Personnel</b>	<b>19.00</b>	<b>17.50</b>	<b>17.00</b>	<b>-0.50</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.21	1.24%
Positions and Percentage Vacant as of 12/31/12	0.00	0.00%

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

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- The number of regular positions remains unchanged in the fiscal 2014 allowance. The number of contractual full-time equivalents decreases by 0.5 due to the elimination of a half-time contractual QZAB funded position.
- Turnover in the fiscal 2014 allowance is budgeted at 1.24%, which will require the Interagency Committee on School Construction (IAC) to maintain the equivalent of 0.21 positions vacant for the entire year. As of December 31, 2012, the agency had no vacant positions. No turnover was budgeted in fiscal 2013.

## ***Analysis in Brief***

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### **Major Trends**

***Fiscal 2011 and 2012 Maintenance Survey Data Not Available:*** IAC established an objective in fiscal 2007 to conduct maintenance surveys in at least 230 schools each year. Though 230 schools were surveyed in both fiscal 2011 and 2012, annual maintenance reports have been submitted for neither year. **The Department of Legislative Services recommends that the committees add language restricting general funds in the IAC budget until annual maintenance reports for fiscal 2011 and 2012 are submitted.**

***Seven School Systems Below Statewide Average Facility Age in Fiscal 2012, Down from 11 in 2005:*** The improvement in statewide average facility age reflects the State's significant investment in school construction in recent years. Maryland has gained four years in the effort to reduce the age of schools. Seven years elapsed between 2005 and 2012, but on average the schools aged only three years more. While 2012 data shows improvement over the baseline, with seven local education agencies below the State average, the number remains the same as last year.

### **Recommended Actions**

1. Add budget bill language to restrict funds until the Interagency Committee on School Construction submits fiscal 2011 and 2012 annual maintenance reports.

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**Interagency Committee on School Construction**

***Operating Budget Analysis***

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**Program Description**

School construction spending is shared by the State and local government. The Interagency Committee on School Construction (IAC) administers the State Public School Construction Program (PSCP) under the authority of the Board of Public Works. 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 Technology in Maryland Schools program, the Aging Schools Program, and federal programs such as Qualified Zone Academy Bonds (QZAB). More information about the PSCP, Aging Schools Program, and the use of QZABs can be found in the capital budget analysis for the program (DE0202).

Several 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 to:

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

**Performance Analysis: Managing for Results**

**1. Fiscal 2011 and 2012 Maintenance Survey Data Not Available**

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

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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 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 2011 budget bill restricting funds until a report was submitted certifying the completion of 230 maintenance surveys, which IAC submitted on June 27, 2011.

Though IAC reports that 230 schools were surveyed in both fiscal 2011 and 2012, annual maintenance reports have been submitted for neither year. IAC notes that internal staffing reductions and an increased capital improvement program have delayed the reports, though the maintenance surveys proceed according to schedule. 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 still have not been submitted. The annual maintenance report includes an evaluation of the maintenance practices of each LEA, highlighting specific maintenance issues. Given the State's recent investment in public school construction totaling \$2.5 billion between fiscal 2005 and 2013, transparency concerning how each LEA maintains its physical plant is increasingly important. **The Department of Legislative Services recommends that the committees add language restricting general funds in the IAC budget until annual maintenance reports for fiscal 2011 and 2012 are submitted.**

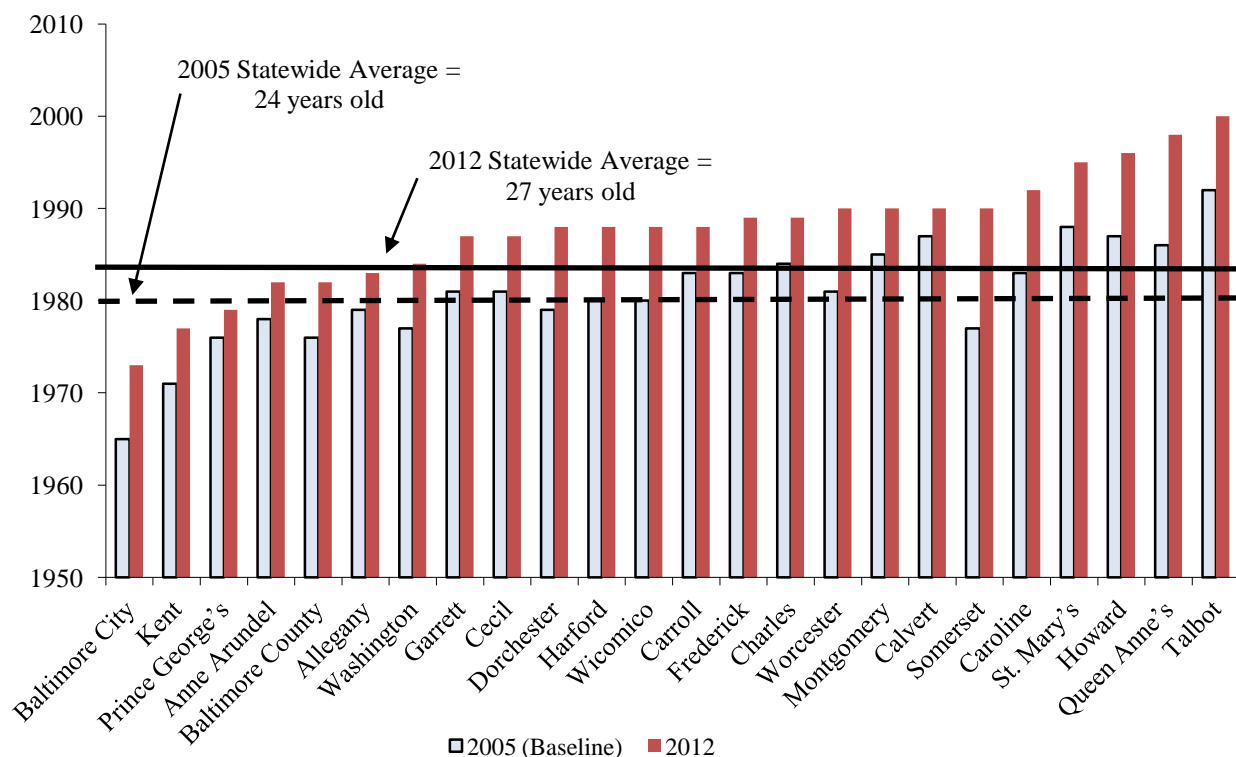
IAC reports that for fiscal 2011, four schools received an overall rating of not adequate, three of which submitted remediation plans and were reinspected in fiscal 2012, though it was found that not all major deficiencies were resolved. The fourth school will be re-inspected in fiscal 2013 after the remediation plan is received. In fiscal 2012, two schools received an overall rating of not adequate and will submit remediation plans and be reinspected. The IAC will not provide information on which LEAs had schools rated not adequate in fiscal 2011 or 2012 until all the data has been verified, and the LEAs notified. IAC reports that it is currently evaluating the optimum number of maintenance inspections that can be performed each year within existing staff constraints.

## **2. Seven School Systems Below Statewide Average Facility Age in Fiscal 2012, Down from 11 in 2005**

Another IAC goal is that the PSCP 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 1** shows the average year of construction by LEA for fiscal 2005 (the baseline year) and 2012. In fiscal 2005, 11 LEAs were below the State average age, and 3 LEAs were at the State average. The fiscal 2012 data shows an improvement over the baseline, with 7 LEAs below the State

**Exhibit 1**  
**Average Construction Year**  
**Fiscal 2005 and 2012**



Source: Interagency Committee on School Construction for fiscal 2005 and fiscal 2014, Governor’s Budget Books for fiscal 2012 data

average age, the same as in fiscal 2011. The statewide average age of square footage has remained at 27 years since fiscal 2007. Overall, Maryland has gained 4 years in the effort to reduce schools’ age. Seven years have elapsed between fiscal 2005 and 2012, but the schools aged only 3 years more from 24 years in fiscal 2005 to 27 years in 2012.

The oldest schools are in Baltimore City, with an average construction date of 1973, or 39 years old. Schools in Allegany, Anne Arundel, Baltimore, Kent, Prince George’s, and Washington counties are also below the 2012 statewide average. Talbot County has the newest schools with an average construction date of 2000, or 12 years old. The average age of Talbot County’s schools changed dramatically in fiscal 2009 because the St. Michael’s Elementary/Middle/High School renovation project was completed, and with only nine schools in the system, any new or renovated square footage has a sizable effect.

**Proposed Budget**

As shown in **Exhibit 2**, the fiscal 2014 allowance is \$41,591 less than the fiscal 2013 working appropriation. The most significant element of this decrease is a \$66,917 reduction in special payments payroll due to the elimination of 0.5 contractual full-time equivalent that supported the QZAB program. IAC reports that the need for this full-time equivalent to support LEA understanding of and grant applications for the QZAB program and compliance with federal regulation has been addressed as the program enters the final year in which funds will be authorized.

**Exhibit 2**  
**Proposed Budget**  
**Interagency Committee on School Construction**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Total</b>
2013 Working Appropriation	\$1,576	\$143	\$1,719
2014 Allowance	<u>1,679</u>	<u>0</u>	<u>1,679</u>
Amount Change	\$104	-\$143	-\$39
Percent Change	6.6%	-100.0%	-2.3%
Contingent Reductions	-\$2	\$0	-\$2
Adjusted Change	\$101	-\$143	-\$42
Adjusted Percent Change	6.4%	-100.0%	-2.4%

**Where It Goes:**

**Personnel Expenses**

State contribution to employee retirement .....	\$25
Salary adjustments .....	-10
Annualized fiscal 2013 COLA adjustment .....	12
Employee and retiree health insurance, net of across-the-board reductions .....	16
Turnover adjustments.....	-15
Other fringe benefit adjustments.....	-1

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**Where It Goes:**

**Other Changes**

Elimination of contractual QZAB position.....	-67
DBM controlled expenses.....	-1
Other changes.....	-1
<b>Total</b>	<b>-\$42</b>

COLA: cost-of-living adjustment  
DBM: Department of Budget and Management  
QZAB: Qualified Zone Academy Bonds

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

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Grants to school systems through the Aging Schools Program are not included in the operating budget. The Governor’s capital budget includes \$6.1 million to fully fund the program. Chapter 397 of 2011 (the Budget Reconciliation and Financing Act of 2011) authorized that the mandated funding could be funded in the operating or capital budget.

**Personnel Changes**

Fiscal 2014 personnel costs increase \$27,284 due largely to increases to employee retirement and health insurance costs, and the annualized cost of the fiscal 2013 statewide cost-of-living adjustment (COLA). Contribution rates for the regular employees, teachers, State police, and law enforcement officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Across-the-board health insurance reductions of \$2,499 in general funds are attributable to overbudgeted health insurance. Regular earnings decrease \$10,420 due to a vacated position being rebased to a lower salary.

## ***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 for School Construction submits fiscal 2011 and 2012 annual maintenance reports to the budget committees. The reports shall be submitted by September 2, 2013, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of the reports may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the reports are not submitted to the budget committees.

**Explanation:** This language restricts \$50,000 in general funds in the Interagency Committee on School Construction (IAC) budget for general administration until IAC submits fiscal 2011 and 2012 annual maintenance reports to the budget committees.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Fiscal 2011 Annual Maintenance Report	IAC	September 2, 2013
Fiscal 2012 Annual Maintenance Report	IAC	September 2, 2013



## *Current and Prior Year Budgets*

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### **Current and Prior Year Budgets Interagency Committee on School Construction (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2012</b>					
Legislative Appropriation	\$3,033	\$0	\$0	\$0	\$3,033
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	14	62	0	0	76
Reversions and Cancellations	-4	-14	0	0	-18
<b>Actual Expenditures</b>	<b>\$3,044</b>	<b>\$48</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,091</b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$1,576	\$131	\$0	\$0	\$1,707
Budget Amendments	0	12	0	0	12
<b>Working Appropriation</b>	<b>\$1,576</b>	<b>\$143</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,719</b>

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

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## **Fiscal 2012**

The fiscal 2012 budget closed at \$3.1 million, \$58,085 more than the legislative appropriation. Of this change, \$62,000 is due to an increase in special funds transferring QZAB proceeds from the capital to the operating budget for eligible administrative costs to support LEA QZAB grant applications. General funds increased \$12,912 to reflect the one-time \$750 employee bonus and \$1,117 to realign general funds between State agencies based on estimated telecommunications expenditures. Reversions and cancellations totaled \$17,944.

## **Fiscal 2013**

The fiscal 2013 working appropriation is \$12,019 above the legislative appropriation due to an increase in special funds to support the statewide COLA.

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

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	18.00	17.00	17.00	0.00	0%
02 Contractual	2.00	1.00	0.00	-1.00	-100.0%
<b>Total Positions</b>	<b>20.00</b>	<b>18.00</b>	<b>17.00</b>	<b>-1.00</b>	<b>-5.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,392,811	\$ 1,469,204	\$ 1,498,987	\$ 29,783	2.0%
02 Technical and Spec. Fees	47,865	67,397	0	-67,397	-100.0%
03 Communication	7,292	6,120	6,509	389	6.4%
04 Travel	12,154	18,729	18,729	0	0%
07 Motor Vehicles	8,470	11,760	11,760	0	0%
08 Contractual Services	11,741	36,801	24,488	-12,313	-33.5%
09 Supplies and Materials	67,119	8,888	20,700	11,812	132.9%
10 Equipment – Replacement	8,058	591	8,000	7,409	1253.6%
11 Equipment – Additional	1,533,172	96,034	87,773	-8,261	-8.6%
13 Fixed Charges	2,697	3,019	2,505	-514	-17.0%
<b>Total Objects</b>	<b>\$ 3,091,379</b>	<b>\$ 1,718,543</b>	<b>\$ 1,679,451</b>	<b>-\$ 39,092</b>	<b>-2.3%</b>
<b>Funds</b>					
01 General Fund	\$ 3,043,514	\$ 1,575,796	\$ 1,679,451	\$ 103,655	6.6%
03 Special Fund	47,865	142,747	0	-142,747	-100.0%
<b>Total Funds</b>	<b>\$ 3,091,379</b>	<b>\$ 1,718,543</b>	<b>\$ 1,679,451</b>	<b>-\$ 39,092</b>	<b>-2.3%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

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

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 General Administration	\$ 1,577,103	\$ 1,634,180	\$ 1,595,178	-\$ 39,002	-2.4%
02 Aging Schools Program	1,514,276	84,363	84,273	-90	-0.1%
<b>Total Expenditures</b>	<b>\$ 3,091,379</b>	<b>\$ 1,718,543</b>	<b>\$ 1,679,451</b>	<b>-\$ 39,092</b>	<b>-2.3%</b>
General Fund	\$ 3,043,514	\$ 1,575,796	\$ 1,679,451	\$ 103,655	6.6%
Special Fund	47,865	142,747	0	-142,747	-100.0%
<b>Total Appropriations</b>	<b>\$ 3,091,379</b>	<b>\$ 1,718,543</b>	<b>\$ 1,679,451</b>	<b>-\$ 39,092</b>	<b>-2.3%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.