

D25E03
Interagency Committee on School Construction

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$13,184	\$14,360	\$19,198	\$4,838	33.7%
Reimbursable Fund	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Funds	\$13,193	\$14,360	\$19,198	\$4,838	33.7%
Contingent & Back of Bill Reductions					
Adjusted Total	\$13,193	\$14,360	\$19,198	\$4,838	33.7%

- The allowance is increased by \$4,850,277 to fund \$3,159,277 of debt service on the Master Lease Purchase Financing Agreement for the installation of wiring under the Technology in Maryland Schools program and \$1,691,000 for hold harmless grants in the Aging Schools program.
- Management Studies and Consultants, under contractual services, decrease \$70,568 due to the early completion of contractual services with a private consultant.

Personnel Data

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	17.00	17.00	17.00	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	0.26	1.50%
Positions Vacant as of 12/31/04	2.00	11.76%

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

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- The allowance contains no personnel changes.
- The agency has two vacancies as of December 31, 2004. Both positions have been vacant between 0 and 6 months.

Analysis in Brief

Major Trends

Public School Construction Program (IAC) Supports Mandate for Construction of Pre-Kindergarten and Kindergarten Elementary School Facilities throughout the State: The IAC, in an effort to support the mandate to provide full day kindergarten for all children and pre-kindergarten for low-income children by the 2007 – 2008 school year, has included in its Managing for Results submission an objective to approve a growing number of pre-kindergarten and kindergarten construction projects.

Issues

Capital Debt Affordability Committee (CDAC) Recommends Further Study of Funding Sources for School Construction: The CDAC analyzed issuance of additional debt for school construction and recommended that alternative financing sources, new revenues, and shifting funds from other projects be examined before issuing additional debt. **The Public School Construction Program should discuss the viability of alternatives to issuing additional debt. Particularly, the department should discuss the search for alternative financing sources authorized in the Public School Facilities Act and the efforts made to secure such funding.**

Alternatives to Issuing General Obligation Bonds – Public/Private Partnerships and Quality Zone Academy Bonds (QZABs): The QZAB program was extended for 2004 and 2005, and the State is qualified for approximately \$9.4 million of the current national distribution of \$400 million.

Recommended Actions

	<u>Funds</u>
1. Reduce funding for Technology in Maryland Schools lease payments.	\$ 1,000,000
Total Reductions	\$ 1,000,000

Updates

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Public School Facilities Act Establishes New State/Local Cost Share Formula to Fund Public School Construction: The modified State/local share cost formula ensures that no school system experiences a decrease in its State share during fiscal 2006 through 2008.

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Operating Budget Analysis

Program Description

The Interagency Committee on School Construction (IAC) administers the Public School Construction Program (PSCP) under the authority of the Board of Public Works. IAC analyzes local agency requests for capital improvement projects to public school buildings. IAC also assists local school systems in planning, designing, and constructing primary and secondary educational facilities that support Smart Growth. IAC also administers the Technology in Maryland Schools (TIMS), the Aging Schools, the Federal School Repair and Renovation Program, and the federal Qualified Zone Academy Bond (QZAB) and programs. Additionally, employees of the Maryland State Department of Education (MSDE), the Department of General Services, and the Maryland Department of Planning support the activities of the PSCP and provide technical assistance to the public school systems.

In administering the PSCP, IAC seeks to achieve the following goals:

- to promote physical learning environments that support the educational goals of MSDE and local education agencies (LEAs);
- to promote safe physical environments in which to teach and learn;
- to support State goals for community redevelopment, environmental protection, and preservation of the State's natural resources; and
- to ensure the judicious use of State funds for school construction projects.

Performance Analysis: Managing for Results

IAC Supports Mandate for Construction of Pre-Kindergarten and Kindergarten Elementary School Facilities throughout the State

The Bridge to Excellence in Public Education Act mandates that all local school systems provide full day kindergarten for all children and pre-kindergarten for low-income children by the 2007 – 2008 school year. IAC's Managing for Results (MFR) submission includes an objective to approve a growing number of pre-kindergarten and kindergarten construction projects in order to meet the standards of the Bridge to Excellence mandate.

The approval of planning and construction of pre-kindergarten and kindergarten school facilities is a priority for the IAC. IAC also gives priority status to projects that address other mandates in the Bridge to Excellence Act, urgent major projects that require a high level of State commitment, the high school science classroom initiative, and the highest priority systemic renovation projects.

As shown in **Exhibit 1**, IAC has not only exceeded the standards set in its MFR submission, but has also succeeded in rapidly moving approved planning projects to construction. For fiscal 2005 and

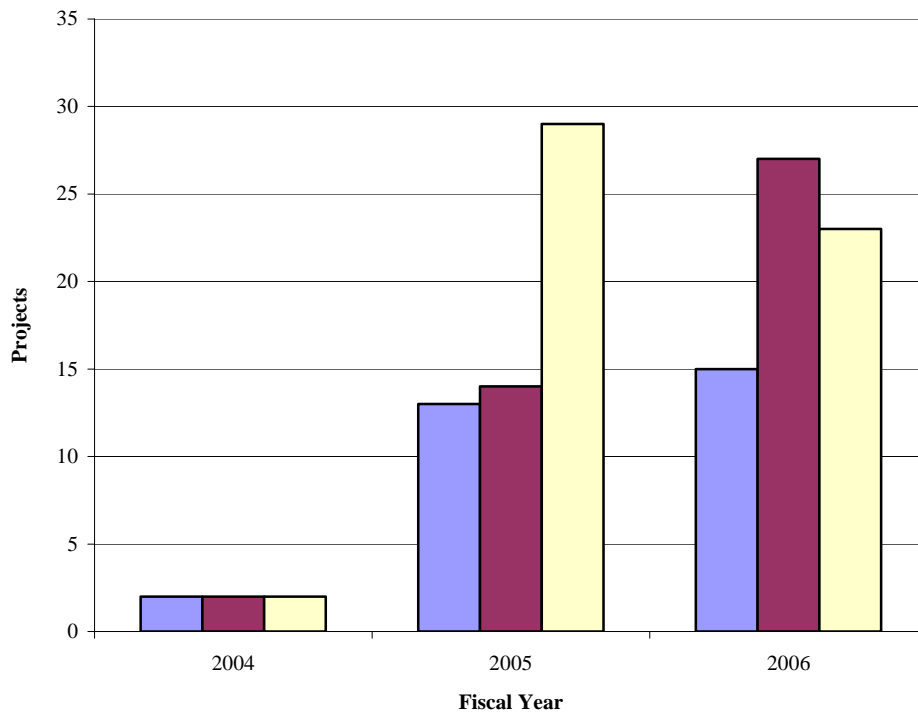
Analysis of the FY 2006 Maryland Executive Budget, 2005

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2006, IAC approved a total of 14 and 27 projects respectively, compared to its goals of 13 and 15 approved projects. Furthermore, 27 of the 29 projects approved for planning in fiscal 2005 are approved for construction in fiscal 2006. A total of 23 projects have been approved for planning by the IAC for fiscal 2006.

IAC should discuss the status of the two approved planning projects from fiscal 2005 that were not approved for construction in fiscal 2006 and whether these projects will be approved for construction and completed in time to meet the mandate. The agency should also discuss whether it feels that the progress made in the construction of pre-kindergarten and kindergarten facilities will satisfy the mandate for completion by the 2007 – 2008 school years.

Exhibit 1
Estimate vs. Actual Number of Pre-Kindergarten and
Kindergarten Project Approvals
Fiscal 2004 – 2006



■ Est. # of Approved Construction Proj. ■ Act. # of Approved Construction Proj. ■ # of Proj. Approved for Planning

Source: 2005 Interagency Committee on School Construction Managing for Results submission

Governor's Proposed Budget

As shown in **Exhibit 2**, the Governor's fiscal 2006 allowance increases \$4,838,003, or 33.7% over the fiscal 2005 working appropriation. Lease Payments for the TIMS program account for the largest increase of \$3,159,277. A study of five positions over a two-year period resulting in the reclassification of four positions, account for an increase of \$29,971 in personnel expenses. Early termination of contractual services with a private consultant account for a decrease of \$70,568. Excluding TIMS and grants for the Aging Schools Program, the allowance decreases by \$12,274, or 1% over the fiscal 2005 working appropriation.

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

How Much It Grows:	General Fund	Total
2005 Working Appropriation	\$14,360	\$14,360
2006 Governor's Allowance	19,198	19,198
Amount Change	\$4,838	\$4,838
Percent Change	33.7%	33.7%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$21
Employee and retiree health insurance	-4
Retirement contribution rate change.....	8
Reclassification of current positions.....	29

Other Changes

Increase in lease repayment for TIMS program	3,159
Aging School hold harmless grants	1,691
Contractual Services	-71
Miscellaneous	5

Total **\$4,838**

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

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As shown in **Exhibit 3**, the Governor's allowance includes \$1.69 million in the Aging Schools program to provide hold harmless grants to certain counties as required by the fiscal 2005 capital budget bill. The hold harmless grants are provided to six counties whose Aging Schools grants in fiscal 2006 were decreasing by more than 75 percent from the fiscal 2005 grant under the new allocation enacted in the Public School Facilities Act of 2004. The new allocation is based on each school system's share of net square footage in pre-1970 school facilities statewide. The original allocation of the \$10.37 million program was primarily based on each school system's share of pre-1960 square footage. The fiscal 2005 capital budget bill included language providing hold harmless grants for three years equal to 75% of the difference between the original and new allocations in fiscal 2006, 50% in fiscal 2007, and 25% in fiscal 2008. Exhibit 3 shows the distribution of the hold harmless grants in the fiscal 2006 allowance and the amounts required in fiscal 2007 and 2008. The total fiscal 2006 general fund allowance for the Aging Schools Program is \$10.46 million. An additional \$1.6 million in general obligation debt is provided in the fiscal 2006 capital budget for the Aging Schools Program, which fully funds the program.

Exhibit 3
Aging School Hold Harmless Grants
(\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Allegany	\$142	\$95	\$47
Baltimore Co.	1,092	728	364
Carroll	114	76	38
Cecil	144	96	48
Talbot	68	45	23
Wicomico	131	87	44
Total	\$1,690	\$1,127	\$563

Source: Fiscal 2005 Capital Budget Bill, Department of Legislative Services

Issues

1. Capital Debt Affordability Committee (CDAC) Recommends Further Study of Funding Sources for School Construction

The Public School Facilities Act of 2004 (Chapters 306/307) established a State goal to fully fund school construction projects to meet all required standards as of July 2003 by fiscal 2013. The Act was a response to the November 2003 survey results of the Task Force to Study Public School Facilities. The task force concluded that one-third of Maryland public schools were deficient in some capacity and that the cost to bring schools up to standard would total \$3.85 billion. **Exhibit 4** shows the total cost of bringing schools up to standard by school system in 2003 dollars. Through the State/local shared cost formula, the State would provide \$2 billion of the \$3.85 billion over the next eight fiscal years, with the remaining costs funded by local governments.

State Already Committed to \$857.5 Million over Next Eight Fiscal Years

The State has currently committed to \$857.5 million (\$100 million annually after fiscal 2006) in the Department of Budget and Management's (DBM) fiscal 2006 *Capital Improvement Program* (CIP), leaving a \$1.14 billion shortfall. The Governor has announced a total of \$157.6 million for school construction in fiscal 2006, an increase of \$57.6 million over the fiscal 2005 CIP. Increasing funding by an additional \$150 million annually for eight years would allow the State to meet the goal in 2013.

School Facility Needs Exceed Available Funds

The needs associated with school construction continue to grow driven by rapid enrollment growth in some counties, aging school facilities, requirements of the Bridge to Excellence Act for kindergarten and pre-kindergarten programs by 2007 – 2008, and other renovations of older facilities to bring them up to standards. Additionally, the Public School Construction Program (PSCP) reports significant increases in construction costs that contribute to rising costs. In its fiscal 2006 construction cost figure, the PSCP allows for a 12% escalation in costs between July 2003 and July 2004 that incorporates both increasing construction costs and inflation. Exhibit 4 also shows that the total cost of bringing schools up to standard under current dollars, applying the 12% escalation, would total \$4.3 billion.

Due to the limitations of funds, PSCP has continued its practice of prioritizing the distribution of available funds. As in the past, each LEA is approved for at least one eligible funding request. Favorable attention is further given to the following smaller projects:

- full-day kindergarten and pre-kindergarten for disadvantaged children as mandated in the Bridge to Excellence;
- high school science classroom renovation and additions as a continuing State initiative and critical element of the high school assessment testing; and
- systematic renovation as a cost effective way to extend the useful life of school buildings.

Exhibit 4
Cost Estimates to Bring Facilities Up to Current
Standards for New Construction
(\$ in Thousands)

<u>School System</u>	<u>Original Estimate</u>	<u>Current Estimate</u>
Allegany County	\$71,426	\$79,997
Anne Arundel County	336,458	376,833
Baltimore City	570,599	639,071
Baltimore County	408,845	457,906
Calvert County	102,911	115,260
Caroline County	5,435	6,087
Carroll County	135,297	151,533
Cecil County	46,873	52,498
Charles County	178,419	199,829
Dorchester County	33,816	37,874
Frederick County	203,625	228,060
Garrett County	20,142	22,559
Harford County	204,666	229,226
Howard County	168,727	188,974
Kent County	1,180	1,322
Montgomery County	279,307	312,824
Prince George's County	778,225	871,612
Queen Anne's County	9,666	10,826
St. Mary's County	52,530	58,834
Somerset County	9,030	10,114
Talbot County	18,989	21,268
Washington County	93,827	105,086
Wicomico County	69,993	78,392
Worcester County	54,122	60,617
Total State and Local Cost	\$3,854,108	\$4,316,601

Source: Public School Construction Program

State to Incur High Debt Service with Issuance of Additional \$150 Million

The Capital Debt Affordability Committee (CDAC) was required by Chapters 306 and 307 to review public school construction needs and make a funding recommendation annually. The committee recommended to the 2005 General Assembly that the State continue to authorize

Analysis of the FY 2006 Maryland Executive Budget, 2005

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\$100 million in public school construction and also analyzed the effect of authorizing an additional \$1.2 billion for public school construction.

Exhibit 5 highlights the effects of issuing an additional \$150 million in debt over the next eight fiscal years. The issuance would lead to the following:

- The State would accrue \$1.75 billion in debt service by 2032.
- All debt outstanding from the eight issuances would be paid off by 2032.
- Debt outstanding would reach a peak of over \$960 million in 2015.

The State's ability to repay the \$150 million issuance is measured by the amount of debt service that is obligated to be repaid each year. Exhibit 5 indicates that between 2015 and 2024, debt service will surpass \$100 million, reaching a peak of \$125 million in 2020. Furthermore, all debt service will be paid off in 2032.

Exhibit 5 also details debt outstanding for the fiscal years following the first issuance in fiscal 2006. The State will be at its highest point in debt outstanding between fiscal 2013 and 2016 where debt outstanding hovers above \$900 million, reaching its highest mark of \$978.8 million in 2015.

The analysis assumes that about half of an authorization is issued in the first year. This is based on recent issuance trends. If the State is able to expand the program more quickly, issuances in the early years would be higher, and debt service costs would also be higher.

Exhibit 5
Overview of State Authorization of
Additional \$150 Million over the Next Eight Fiscal Years

<u>Fiscal Year</u>	<u>Debt Authorized</u>	<u>Debt Issued</u>	<u>Debt Service</u>	<u>Debt Outstanding</u>
2006	\$92.4	\$46.2	\$0.0	\$46.2
2007	150.0	102.7	2.3	148.9
2008	150.0	129.2	7.7	278.2
2009	150.0	139.6	17.4	415.2
2010	150.0	147.1	30.8	553.8
2011	150.0	150.0	46.0	687.9
2012	150.0	150.0	61.8	813.5
2013	150.0	150.0	78.1	929.7
2014	0.0	75.0	94.6	960.9
2015	0.0	30.0	106.9	936.5
2016	0.0	15.0	116.8	885.9
2017	0.0	7.5	121.7	820.2
2018	0.0	0.0	123.8	741.3
2019	0.0	0.0	124.6	657.3
2020	0.0	0.0	125.0	568.4
2021	0.0	0.0	125.0	474.6
2022	0.0	0.0	120.1	380.6
2023	0.0	0.0	109.0	292.6
2024	0.0	0.0	94.8	213.9
2025	0.0	0.0	79.5	146.1
2026	0.0	0.0	63.3	90.8
2027	0.0	0.0	46.9	48.9
2028	0.0	0.0	30.4	21.2
2029	0.0	0.0	14.0	8.4
2030	0.0	0.0	5.8	3.1
2031	0.0	0.0	2.5	0.8
2032	0.0	0.0	0.8	0.0
Total	\$1,142.4	\$1,142.4	\$1,749.5	

Source: Department of Legislative Services, February 2005

Additional Debt Meets Current CDAC Affordability Criteria

The committee concluded that authorizing additional debt would not exceed debt capacity as currently defined, yet the committee warned that such an action would limit the State's ability to issue debt for other programs along with a caution that changes in personal income could breach affordability measures. **Exhibit 6** shows that debt outstanding would remain under 3.2% of personal income. Similarly, debt service remains under 8% of revenues, consistent with the CDAC debt service criterion. It is estimated that there is sufficient capacity to issue an additional \$280 million annually through fiscal 2010. Authorizing additional bonds for public school construction could use up to half of that capacity, if the bonds are issued shortly after authorization.

Exhibit 6 Effect of Authorizing Additional GO Bonds for Public School Construction Debt Outstanding to Personal Income Ratio Remains Under 3.2%

<u>Fiscal Year</u>	<u>Debt Outstanding/ Personal Income</u>	<u>Debt Outstanding Ratio with Additional School Debt</u>	<u>Debt Service/ Revenues</u>	<u>Debt Service Ratio with Additional School Debt</u>
2005	2.77	2.77	5.91	5.91
2006	2.78	2.80	6.09	6.09
2007	2.72	2.77	5.85	5.87
2008	2.69	2.79	5.92	5.97
2009	2.71	2.85	6.08	6.19
2010	2.72	2.90	6.18	6.37

Source: Department of Legislative Services

CDAC Does Not Recommend Authorizing Additional Debt

The CDAC expressed concerns about the magnitude of this proposed expansion and instead of recommending that the General Obligation (GO) bond program be expanded the committee recommended that the State first examine:

- **Alternative Financing Sources:** The Public School Facilities Act authorizes the use of alternative financing methods, such as leasing arrangements with contractors and other public-private partnerships and energy performance contracts. The IAC advises that the regulations pertaining to these new laws are being developed and should be completed by November 2005. The IAC is also monitoring these financing methods to determine which can be applied more broadly across the State.

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- ***New Revenues:*** New revenue sources such as video lottery terminals or the imposition of recordation and transfer taxes on the transfer of controlling interests could be dedicated to school construction. If additional debt were authorized the State property tax could be increased to cover the cost of the additional debt service.
- ***Shifting Funds from Other Projects:*** The current capital request exceeds available funding. Each year DBM prepares a CIP, which identifies capital projects to be funded. The CIP funding levels are generally consistent with the CDAC proposed authorizations. To provide additional funding for public school construction would require the State to delay or eliminate other projects in the CIP.

PSCP should discuss the viability of CDAC’s suggestions on alternatives to issuing additional debt. Particularly, the department should discuss the search for alternative financing sources authorized in the Public School Facilities Act, particularly the potential savings from energy performance contracts, and the efforts made to secure such funding.

2. Alternatives to Issuing General Obligation Bonds – Public/Private Partnerships and Quality Zone Academy Bonds (QZABs)

The Public School Facilities Act authorizes the use of alternative financing methods to compliment the State’s support for public school construction. Leasing arrangements and public-private financing are the most viable options being explored as alternatives. Various public-private partnerships have been explored including one recommendation made by the Joint Committee on Children, Youth, and Families in its 2004 interim report. The committee suggests that local school systems explore partnerships with qualified early learning and child care providers prior to requesting State funds to build additional classroom space and/or rent or purchase relocatable classrooms to fulfill Bridge to Excellence requirements. The committee further recommends that local systems provide evidence of these attempts to contract with private providers prior to requesting funds from the IAC.

QZABs are another alternative to issuing general obligation bonds. QZABs were created under the Tax Reform Act of 1997 as a new type of debt instrument to finance specific education projects. The program was created to provide an additional means for states to fund school repair projects while lessening the burden of issuing additional debt.¹

The State does not pay interest on QZABs. Instead, bondholders (the qualified purchaser) receive a federal income tax credit for each year the bond is held. The State is not required to make payments on the principal until the bonds are redeemed. For example, under its agreement with Bank of

¹ In order to qualify for QZAB, a school must be located in an enterprise zone or have 35% of the school’s students qualify for free and reduced priced meals. Maryland also gives priority to projects for schools built prior to 1960 that have not been renovated since construction. Schools are approved for QZABs by the Board of Public Works (BPW) and the monies are distributed by PSCP.

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America, the State makes annual payments of \$888,000 into a sinking fund invested to receive a guaranteed rate of interest. The present value of all the payments made into the account works out to be less than the face value of the principal of the bond. The savings realized through the issuance of QZABs relative to traditional general obligation (GO) bond issuance is apparent considering that both interest and principal are due to the bondholder under a GO bond.

Since its inception in 1997, the State of Maryland has issued a total of \$27.141 million in QZABs through three separate issuances. The QZAB program was extended by the federal government for 2004 and 2005, and the State is qualified for approximately \$9.361 million of the current national distribution of \$400 million. The 2004 QZAB authorization could be applied retroactively and QZABs for 2005 could be issued anytime after January 1, 2005. Due to the extension of the program, the State is considering a fourth authorization during the 2005 session. Legislation is required to authorize the State to issue the bonds.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for Technology in Maryland Schools lease payments. The Interagency on School Construction estimates of obligations and funds necessary in fiscal 2006 are based on all projects being completed by March 2006; however, to date, less than half the anticipated wiring costs have been reimbursed by the State. Based on the history of funds actually spent towards the program, it is unlikely that the program will encumber and expend the total amount allocated in the Governor's allowance.	\$ 1,000,000	GF
Total General Fund Reductions	\$ 1,000,000	

Updates

1. Public School Facilities Act Establishes New State/Local Cost Share Formula to Fund Public School Construction

The Bridge to Excellence in Public Schools Act charged the Task Force to Study Public School Facilities with examining the adequacy and equity of school construction in the State, the continuation of the Aging Schools Program and any other matter relevant to the adequacy and equity of the State's school construction program. A statewide survey was undertaken by the task force in the 2003 interim on the condition of public school facilities statewide. The survey assessed schools against 31 current standards for new construction of public schools. In February 2004, the task force made its final recommendations which included an alteration of the State/local cost share formula. The revised system was incorporated in Chapters 306 and 307, Acts of 2004, also referred to as the Public School Facilities Act.

The modified State/local share cost formula ensures that no school system experiences a decrease in its State share for fiscal 2006 through 2008. **Exhibit 7** shows the new shared cost formula that will be in effect for fiscal 2006 through 2008. The new components of the formula recognize the proportion of low-income students, enrollment growth, economically distressed counties, and local funding efforts by counties. The formula also incorporates local PAYGO funding for fiscal 2001 to determine the State share. The State/local share cost formula will be updated every three years with the next update scheduled for 2007 for use in fiscal 2009.

Exhibit 7
Comparison of Fiscal 2006 – 2008 State Share to Fiscal 2005
State Share for School Construction

<u>County</u>	<u>FY 2005</u> <u>State Share</u>	<u>FY 2006 – 08</u> <u>State Share</u>	<u>Difference</u>
Allegany	75%	90%	15%
Anne Arundel	50	50	0
Baltimore City	90/75	97	*
Baltimore	50	50	0
Calvert	55	69	14
Caroline	75	89	14
Carroll	65	65	0
Cecil	70	70	0
Charles	65	70	5
Dorchester	70	77	7
Frederick	65	72	7
Garrett	70	70	0
Harford	65	65	0
Howard	50	58	8
Kent	50	50	0
Montgomery	50	50	0
Prince George's	75/65/60	75/69	**
Queen Anne's	55	70	15
St. Mary's	70	72	2
Somerset	80	97	17
Talbot	50	50	0
Washington	65	65	0
Wicomico	70	81	11
Worcester	50	50	0

*For fiscal 2002 through 2005, the State provided 90% of Baltimore City's eligible costs for the first \$20 million, and for funding above \$20 million the State provided 75% of eligible costs. For fiscal 2006 through 2008, the State will provide 97% of eligible costs.

**For fiscal 1999 through 2005, the State provided 75% of Prince George's County's eligible costs for the first \$35 million, and for funding above \$35 million the State provided 60% (fiscal 1999 through 2003) or 65% (fiscal 2003 through 2004) of eligible costs. For fiscal 2006 through 2008, the State will provide 75% of eligible costs for the first \$35 million, and for funding above \$35 million, 69% of eligible costs.

Source: Public School Construction Program; Department of Legislative Services

Current and Prior Year Budgets

Current and Prior Year Budgets Public School Construction (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$16,094	\$0	\$0	\$0	\$16,094
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	20	0	0	10	30
Cost Containment	-2,923	0	0	0	-2,923
Reversions and Cancellations	-7	0	0	0	-7
Actual Expenditures	\$13,184	\$0	\$0	\$10	\$13,194
Fiscal 2005					
Legislative Appropriation	\$14,346	\$0	\$0	\$0	\$14,346
Budget Amendments	14	0	0	0	14
Working Appropriation	\$14,360	\$0	\$0	\$0	\$14,360

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

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Fiscal 2004

Cost containment reduced the IAC general fund appropriation by \$2.9 million due to TIMS funding.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 – December 31, 2002
Issue Date:	March 2003
Number of Findings:	2
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

Finding 1: IAC had not pursued recovery of the State’s financial interest totaling at least \$3.2 million in former school properties that were subsequently sold or leased.

Finding 2: Project closeout procedures were not completed timely.

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	17.00	17.00	17.00	0	0%
Total Positions	17.00	17.00	17.00	0	0%
Objects					
01 Salaries and Wages	\$ 971,547	\$ 1,022,540	\$ 1,082,359	\$ 59,819	5.9%
02 Technical & Spec Fees	1,877	480	480	0	0%
03 Communication	6,868	9,095	9,248	153	1.7%
04 Travel	5,361	10,999	10,999	0	0%
07 Motor Vehicles	9,890	11,608	11,508	-100	-0.9%
08 Contractual Services	8,042	140,545	67,927	-72,618	-51.7%
09 Supplies & Materials	11,092	6,941	6,941	0	0%
10 Equip - Replacement	0	591	591	0	0%
11 Equip - Additional	23,676	15,112	15,112	0	0%
12 Grants, Subsidies, Contr	12,151,232	13,137,859	17,988,136	4,850,277	36.9%
13 Fixed Charges	3,677	4,576	5,048	472	10.3%
Total Objects	\$ 13,193,262	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%
Funds					
01 General Fund	\$ 13,183,648	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%
09 Reimbursable Fund	9,614	0	0	0	0.0%
Total Funds	\$ 13,193,262	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Fiscal Summary
Interagency Committee on School Construction

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 General Administration	\$ 1,042,030	\$ 1,222,487	\$ 1,210,213	-\$ 12,274	-1.0%
02 School Facilities Program	12,151,232	13,137,859	17,988,136	4,850,277	36.9%
Total Expenditures	\$ 13,193,262	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%
General Fund	\$ 13,183,648	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%
Total Appropriations	\$ 13,183,648	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%
Reimbursable Fund	\$ 9,614	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 13,193,262	\$ 14,360,346	\$ 19,198,349	\$ 4,838,003	33.7%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.