

D25E03
Interagency Committee on School Construction

Operating Budget Data

(\$ in Thousands)

	FY 05 <u>Actual</u>	FY 06 <u>Working</u>	FY 07 <u>Allowance</u>	FY 06-07 <u>Change</u>	% Change <u>Prior Year</u>
General Fund	<u>\$13,919</u>	<u>\$18,210</u>	<u>\$19,303</u>	<u>\$1,093</u>	<u>6.0%</u>
Total Funds	\$13,919	\$18,210	\$19,303	\$1,093	6.0%

- The Governor's allowance increases by \$1,442,568 for debt service financing for the Technology in Maryland Schools program.
- Funding for hold harmless grants in the Aging Schools program decreases by \$564,000 in accordance with the law.

Personnel Data

	FY 05 <u>Actual</u>	FY 06 <u>Working</u>	FY 07 <u>Allowance</u>	FY 06-07 <u>Change</u>
Regular Positions	17.00	17.00	19.00	2.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	17.00	17.00	19.00	2.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	0.29	1.54%
Positions Vacant as of 12/31/05	0.00	0.00%

- Two new positions are contained in the allowance for school maintenance inspectors.
- The agency has no vacancies as of December 31, 2005.

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

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Analysis in Brief

Major Trends

The Interagency Committee on School Construction Adds New Goals to Its Managing for Results Assessment: In revising its Managing for Results report, the Interagency Committee on School Construction (IAC) has established two new goals. One is to provide well-maintained schools alongside the goal of providing safe physical environments. The other new goal is to improve, or at least maintain, the deviation of the average age of facilities in each Local Education Agency (LEA) from the statewide average age of facilities.

Issues

IAC Reports to the Capital Debt Affordability Committee on Maintenance of Public School Facilities: IAC published a report in August on adequacy of maintenance in public school facilities. To provide more timely inspections and encourage LEAs to fulfill their maintenance responsibilities, IAC proposed three initiatives. The recommendations include the addition of new maintenance inspectors in the Public School Construction Program (PSCP) and incentives aimed at encouraging LEAs to improve their maintenance programs. **IAC should discuss the proposed improvements to the public school facility maintenance process, including the impact of the allowance’s providing for two new maintenance inspectors in the PSCP.**

The Baltimore City Public School System Board Votes to Close Schools: Since the 1997 State law establishing the City-State Partnership was enacted, the State has recommended that the Baltimore City Public School System (BCPSS) consolidate schools and close unneeded school space due to declining enrollment and aging facilities. In October 2005, the BCPSS Board of School Commissioners voted to reduce its school space by approximately 15% of total operating space, over three school years. Recommendations for closures are scheduled for mid-February, with decisions expected on March 28.

Recommended Actions

	<u>Funds</u>
1. Reduce funding for Technology in Maryland Schools lease payments.	\$ 180,000
Total Reductions	\$ 180,000

Updates

2005 Capital Budget Bill Makes Changes to IAC: Chapter 445, the Capital Budget bill of 2005 contained language making substantive and procedural changes to IAC. Two new members representing the General Assembly were added to IAC on June 1, 2005. IAC meetings also became subject to the open meetings law on June 1, 2005.

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Interagency Committee on School Construction

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 (BPW). The largest program that IAC administers is the *Capital Improvement Program*, which allocates funding to local education agencies (LEAs) for capital improvement projects to public school buildings. Projects include renovations, additions, new schools, and systemic renovations. IAC also administers the Technology in Maryland Schools (TIMS) program, the Aging Schools program, the federal Qualified Zone Academy Bond program, and the Recycled Tire program. 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.

In administering the PSCP, IAC has established the following goals:

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

Performance Analysis: Managing for Results

IAC Adds New Goals and Performance Measures to Managing for Results Assessment

IAC has significantly revised its Managing for Results (MFR) report for fiscal 2007. The first change is IAC's new goal to promote well-maintained, safe physical environments in schools. The inclusion of school maintenance objectives stems from recent focus on the adequacy of maintenance procedures. Beginning in fiscal 2007, new performance measures will evaluate whether PSCP inspectors conduct annual maintenance surveys in a minimum of 150 schools, report findings to BPW, IAC, and LEAs, receive remediation plans for all schools rated not adequate or poor overall, and re-inspect them as needed in the following year. Maintenance inspectors will conduct surveys using the new procedures beginning in September 2006.

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Another new MFR goal is to promote equity in the quality of school facilities in the State. The new objective is to improve or, at a minimum, maintain the deviation of the average age of facilities in each LEA from the statewide average age of facilities.¹ **Exhibit 1** illustrates the deviation from the statewide average age for all LEAs in August 2005. The statewide average age of public school facilities is construction in 1981. The oldest facilities in the State are located in Baltimore City where the average year of construction is 1965, while the newest facilities are in Talbot County where the average year of construction is 1992. Eleven LEAs are home to facilities that are older than the statewide average of 1981. Only Baltimore City and Kent County have an average age of construction older than 1976. Thirteen LEAs have facilities with an average age at or newer than the statewide average.

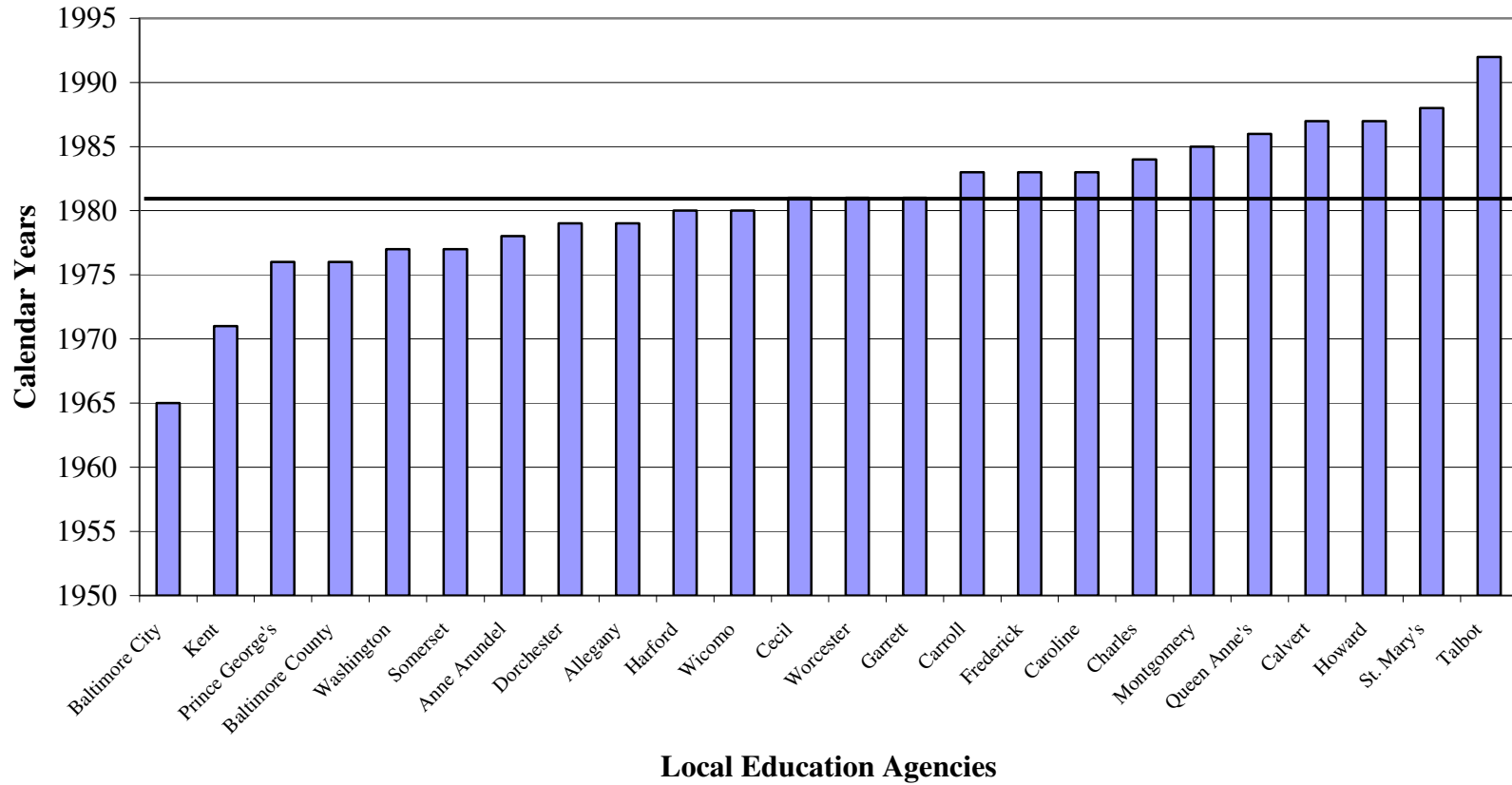
Governor's Proposed Budget

The Governor's proposed budget, as shown in **Exhibit 2**, increases by \$1,093,355 over the fiscal 2006 working appropriation. Program administration costs increase \$214,787, or 17.6%, mainly attributable to the creation of two new maintenance inspector positions. The salary and equipment costs associated with the new positions total approximately \$131,000. The positions have been funded to improve the inspection process for public school facilities. In contrast to DGS inspectors who now conduct public school maintenance inspections as part of their other responsibilities, the two new inspectors would cover only public schools, making more frequent and complete inspections possible.

A 5.2% increase is contained in the allowance for the School Facilities program. The TIMS program accounts for \$1,442,568 of the increase. These funds are applied to payments on the Master Lease Purchase Financing Agreement for wiring projects under the TIMS program. The amount of the increase is based on IAC's expectation that these wiring projects will be completed in 2006. The increase in TIMS funding is offset by a \$564,000 decrease in the Aging Schools program. Language in the fiscal 2005 budget bill required that hold harmless grants be provided for three years to specified counties in order to provide funding to the six counties adversely affected by revisions to the allocation formula made by the Public School Facilities Act of 2004. In order to phase in the adjusted grant amounts, the budget bill language provided hold harmless grants for three years equal to 75% of the difference between the original and new allocations in fiscal 2006, 50% in 2007, and 25% in 2008. The reduced funding in the Governor's allowance reflects the phased-in reduction of the hold harmless grants. Fiscal 2008 will mark the end of the hold harmless grants.

¹ When a portion of a building is renovated, that portion is considered new square footage in calculating the age of the facility.

Exhibit 1
Average Year of Construction of Public School Facilities
As of August 2005



Note: Calendar 1981 represents the statewide average.

Source: Governor's Fiscal 2007 Budget Books

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

How Much It Grows:	General Fund	Total
2006 Working Appropriation	\$18,210	\$18,210
2007 Governor's Allowance	<u>19,303</u>	<u>19,303</u>
Amount Change	\$1,093	\$1,093
Percent Change	6.0%	6.0%

Where It Goes:

Personnel Expenses

Two new school maintenance inspector positions and associated equipment and supplies	\$131
Employee and retiree health insurance	68
Employee Increments	23
Employee retirement changes.....	9
Other	17

Other Changes

TIMS program lease repayments.....	1,443
Aging School program hold harmless grants.....	-564
Termination of management contract.....	-39
Other	5
Total	\$1,093

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

Issues

1. IAC Reports to the Capital Debt Affordability Committee on Maintenance of Public School Facilities

In August 2005, IAC reported to the Capital Debt Affordability Committee (CDAC) on the status of the maintenance of public schools. The report addressed concern that had been expressed by CDAC members about both the adequacy of school facility maintenance procedures and the availability of resources to accomplish needed maintenance. CDAC's concern stemmed from its interest in protecting the State's funding of the Public School Construction Program, which totaled \$251.1 million in fiscal 2006.

While the State funds school construction through the capital budget, school facility maintenance is funded through LEAs' operating budgets. The funding level for aid to education under the Bridge to Excellence in Public Education Act of 2002 factors in a per pupil allocation for maintenance of facilities based on fiscal 1999 spending. In addition, the aid received by school systems through the Bridge to Excellence formulas can be utilized for facility maintenance. How much is utilized is a local school board decision. However, IAC asserts that the funding level is inadequate to cover LEA needs for deferred, preventive, and current maintenance projects. LEA facility planners report that the focus of efforts to direct increased maintenance funding should be intermediate projects that are expensive, but not bondable. These are projects that do not qualify for capital funding because they are either too small or have a lifespan of less than the 15-year term of general obligation bonds. These projects would yield the largest rate of return on State and local investment of operating funds directed to maintenance.

To improve the public school facilities maintenance system, IAC has proposed three initiatives:

- Add 4 maintenance inspectors in the PSCP to carry out the State's annual maintenance survey of public schools. The inspectors would perform between 300 and 400 school surveys each year, with schools on 4- to 5-year cycles. This would improve the existing maintenance survey process, which is divided among DGS, MSDE's Facilities Branch, and the PSCP. The existing 11 inspectors are able to survey only 100 schools per year because they are responsible for inspecting facilities other than public schools. Currently, there may be a 14-year interval between inspections. The Governor's allowance provides for 2 new inspector positions in IAC's operating budget.
- Recommend adjustments to construction funding based on maintenance effort. Consideration will be given to LEAs' meeting their responsibilities in their operating budgets to effectively manage their school maintenance programs. This initiative would include an analysis of LEAs' use of Thornton funds for this purpose.

- Develop an incentive program of State funding to assist LEAs with maintenance projects which would be linked to submission and implementation of an annual comprehensive maintenance plan.

IAC should discuss the proposed improvements to the maintenance process for public school facilities, including the impact of the allowance's provision for two new maintenance inspectors in the PSCP.

2. The Baltimore City Public School System Board Votes to Close Schools

Since the 1997 State law establishing the City-State Partnership was enacted, the State has recommended that the Baltimore City Public School System (BCPSS) consolidate schools and close unneeded school space due to declining enrollment and aging facilities in order to achieve cost savings and operating efficiencies. In October 2005, the BCPSS Board of School Commissioners voted to reduce its school space by 2.7 million square feet, about 15% of total operating space, over three years. According to State Public School Construction data, BCPSS has approximately 5.7 million excess square feet based on current enrollment. With the 2.7 million square foot reduction, BCPSS will have the capacity to accommodate over 100,000 students. BCPSS enrollment this year is approximately 85,400 in pre-kindergarten through grade 12 and is projected to decline 2 to 3% annually through 2010 based on Department of Planning enrollment projections.

BCPSS has hired a consultant to analyze BCPSS space needs, solicit community input, and recommend school configurations. BCPSS has created eight community groups to identify schools for closure. Recommendations are scheduled to be submitted to the BCPSS board in mid-February 2006, and decisions on school closings are scheduled to be made on March 28. IAC voted at its November 10, 2005, meeting to wait to finalize school construction allocations for Baltimore City in fiscal 2007 until the school closure identification process is completed. **IAC should comment on the proposed 15% reduction in space in BCPSS and the reasons for waiting to finalize school construction allocations until March.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for Technology in Maryland Schools lease payments. Based on the history of project completion and funds actually spent in the program, it is unlikely that the program will encumber and spend the total amount of the Governor’s allowance. To date, half of the remaining projects are less than 25% finished.	\$ 180,000	GF
Total General Fund Reductions	\$ 180,000	

Updates

1. 2005 Capital Budget Bill Makes Changes to IAC

Until June 1, 2005, IAC was a three-member committee created by BPW. The three members included the State Superintendent of Schools (designated the chairperson), the Secretary of DGS, and the Secretary of the Maryland Department of Planning. The Capital Budget bill of 2005, Chapter 445, contained language adding two new members to IAC. They are Timothy Maloney, appointed by the President of the Senate, and Frederick Puddester, appointed by the Speaker of the House.

Chapter 445 also enacted a procedural change to IAC operations. As of June 1, 2005, IAC is considered a public body subject to the open meetings law. Discussions and decisions about the allocation of public school funding are now considered quasi-legislative functions required to be conducted in public.

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 2005					
Legislative Appropriation	\$14,346	\$0	\$0	\$0	\$14,346
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	14	0	0	0	14
Reversions and Cancellations	-441	0	0	0	-441
Actual Expenditures	\$13,919	\$0	\$0	\$0	\$13,919
Fiscal 2006					
Legislative Appropriation	\$18,196	\$0	\$0	\$0	\$18,196
Budget Amendments	13	0	0	0	13
Working Appropriation	\$18,209	\$0	\$0	\$0	\$18,209

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

Fiscal 2005

A budget amendment increased general funds by \$14,382 for a cost-of-living adjustment for State employees. The \$441,000 reversion is almost entirely due to unexpended funds in the Aging Schools program.

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)	n/a

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>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	17.00	17.00	19.00	2.00	11.8%
Total Positions	17.00	17.00	19.00	2.00	11.8%
Objects					
01 Salaries and Wages	\$ 1,019,273	\$ 1,093,772	\$ 1,327,739	\$ 233,967	21.4%
02 Technical & Spec Fees	0	480	480	0	0%
03 Communication	6,549	9,248	18,193	8,945	96.7%
04 Travel	5,951	10,999	17,640	6,641	60.4%
07 Motor Vehicles	11,608	11,508	11,508	0	0%
08 Contractual Services	84,535	67,927	26,877	-41,050	-60.4%
09 Supplies & Materials	20,289	6,941	11,743	4,802	69.2%
10 Equip - Replacement	17,028	591	591	0	0%
11 Equip - Additional	50,078	15,112	16,605	1,493	9.9%
12 Grants, Subsidies, and Contributions	12,698,248	16,988,136	17,866,704	878,568	5.2%
13 Fixed Charges	5,657	5,048	5,037	-11	-0.2%
Total Objects	\$ 13,919,216	\$ 18,209,762	\$ 19,303,117	\$ 1,093,355	6.0%
Funds					
01 General Fund	\$ 13,919,216	\$ 18,209,762	\$ 19,303,117	\$ 1,093,355	6.0%
Total Funds	\$ 13,919,216	\$ 18,209,762	\$ 19,303,117	\$ 1,093,355	6.0%

Fiscal Summary
Interagency Committee on School Construction

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 General Administration	\$ 1,220,968	\$ 1,221,626	\$ 1,436,413	\$ 214,787	17.6%
02 School Facilities Program	12,698,248	16,988,136	17,866,704	878,568	5.2%
Total Expenditures	\$ 13,919,216	\$ 18,209,762	\$ 19,303,117	\$ 1,093,355	6.0%
General Fund	\$ 13,919,216	\$ 18,209,762	\$ 19,303,117	\$ 1,093,355	6.0%
Total Appropriations	\$ 13,919,216	\$ 18,209,762	\$ 19,303,117	\$ 1,093,355	6.0%