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**PUBLIC SCHOOL CONSTRUCTION IN MARYLAND
THE CAPITAL IMPROVEMENT PROGRAM
Report to the Capital Budget Subcommittee
Education, Business & Administration
Senate Budget and Taxation Committee**

Senator Nancy J. King., Chair

Joan Schaefer
Acting Executive Director, Public School Construction Program
March 7, 2017

We would like to thank the Committee for the opportunity to address the FY 2018 capital budget for public school construction. Along with the 24 school systems and the Maryland School for the Blind, we are appreciative of the high level of funding that Maryland has consistently provided for school building activities. Since the founding of the Public School Construction Program in 1971, the State has approved over \$7.6 billion for the Capital Improvement Program (CIP), as well as approximately \$427 million for other capital funding programs. As projects are completed, this exceptional level of funding translates into visible demonstrations of the State's commitment to public education.

The capital needs of Maryland's school boards and the Maryland School for the Blind continue. State funding allocations have exceeded 50% of the local requests in only four of the last 10 years (FY 2013, 2015, 2016, and 2017). CIP requests themselves do not represent the totality of school facility requirements, since local fiscal constraints generally limit the number of projects that may be requested. Recognizing the need to respect Maryland's debt affordability limits, we believe it is important to maintain at a consistently high level the amount of funding that is provided for school construction.

The 21st Century School Commission forum in 2016 provided an opportunity to generate discussion among a broad array of stakeholders Statewide and other interested parties in regard to public school construction in Maryland. Four themes for improving school construction emerged from the 21st Century School Facilities Commission interim report: 1) Flexibility to scale process requirements to each district's capacities, 2) Streamline the review process, 3) Identify incentives and remove any impediments to the incentives, and 4) Provide clearinghouse for best practices and make available technical assistance to local educational agencies (LEAs). We anticipate additional recommendations from the 21st Century School Commission when it reconvenes in 2017.

We wish to assure the Committee that we are working closely with the LEAs to reduce facility costs in every way that does not compromise the educational program or impose increased maintenance and operational burdens on the local school boards. We are actively involved with LEA Facility Planners, architects, and constructors in investigating the cost and performance implications of alternative building technologies, and are studying educational specifications to determine areas of possible efficiency.

The following are our responses to questions that have been raised by the Department of Legislative Services.

I. The Public School Construction Program (PSCP) should update the committees on how funds that have been restricted for Baltimore County and that have not been released by BPW will be spent.

In the FY 2017 CIP, Baltimore County Public Schools (BCPS) received funding totaling \$49.912 million for 15 projects, consisting of nine (9) systemic renovations to install air conditioning, four (4) replacement schools, one (1) renovation/addition project, and one (1) renovation project. At this time 64% of the FY 2017 CIP allocation is contracted and 36% (\$17 million) remains uncontracted. (See attachment A). The uncontracted allocation includes the \$5 million earmarked as withheld by the BPW in May 2016.

The IAC recommendations for a school system's total funding represent the summation of the recommended individual project allocations. A reduction of the total allocation for a jurisdiction can only be achieved by reducing recommended allocations for individual projects or by rejecting recommended project allocations in their entirety.

In order for PSCP to implement the permanent withholding of an allocation as directed by the BPW, the BPW or the PSCP, in collaboration with the school system, will need to identify specific project(s) for a budget reduction or cancellation. Procedurally, all project allocations, contract awards, change orders, expenditures and accounting actions are calculated and controlled by the individual project allocations as established by the approved FY 2017 CIP published in July 2016.

At its meeting of January 25, 2017 the BPW made a motion to release \$5 million of the \$10 million initially withheld in May 2016. In that same motion the BPW indicated that they will wait for BCPS to present a plan to accelerate those projects currently scheduled to be completed by September 2019 and beyond before the May 2017 final FY 2018 CIP approval to determine if the BPW can release the other \$5 million. BCPS continues to work collaboratively with the BPW staff to resolve this issue. Until the BPW makes a final motion, PSCP will continue to withhold the \$5 million, which cannot be spent at this time for any other purpose. These funds are specifically earmarked for FY 2017 CIP projects that will provide air conditioning in schools.

II. The PSCP should comment on how E-rate projects would be administered in Maryland if funding were to be provided.

Senate Bill 370 establishes a new grant program to be administered by the Maryland State Department of Education (MSDE) to leverage federal funds for Category 1 and Category 2 Services available through the Federal E-Rate program under the Telecommunications Act of 1996. In the Second E-rate Modernization Order, the FCC adopted rules providing additional Category One funding to match state funding for special construction to connect schools and libraries to high-speed broadband services that meet the FCC's long-term capacity broadband goals. The E-rate Program will increase an applicant's discount rate for special construction charges up to an additional 10% to match state funding on a one-to-one dollar basis.

The E-rate Program provides discounts to schools and libraries for eligible products and services. The Eligible Services List includes five service types that fall into one of two funding categories.

Category One:

- Data Transmission Services and Internet Access
- Voice Services

Category Two:

- Internal Connections
- Managed Internal Broadband Services
- Basic Maintenance of Internal Connections

The operational impact or level involvement by the Interagency Committee on School Construction (IAC) or Public School Construction Program (PSCP) is unclear at this time, as PSCP/IAC is not specifically mentioned in the bill language of SB 370. The administration of the program appears to fall to MSDE.

If the \$9,000,000 in grant funding is established in the capital budget of the PSCP it will have an operational and financial impact on the PSCP. If PSCP is responsible for the payment or reimbursement process this could be handled within the current financial staff. However, the level of administration of the program is unknown at this time and may require funds for consulting services if additional expertise is needed.

At this time I'd like to introduce Robert Gorrell, the incoming Executive Director of the PSCP. He will provide additional comments, answer questions and offer alternatives as to how to proceed with Broadband. A specific plan will have to be coordinated with MSDE and DoIT.

III. PSCP should comment on what market trends indicate a decrease in construction cost per sq. ft.

Based on the rapid construction cost increases experienced between mid-2014 and mid-2015, for FY 2017 the IAC increased the cost of construction by 21% above the FY 2016 figure, and increased the site work allocation from 12% of building cost to 19%. The cost per square foot figure published for July 2016 (FY 2017 CIP) bids was \$282 for building only.

In July 2016 the PSCP developed the FY 2018 cost per square foot for "Building only" based on a small sample set and an average of three bids (\$255 / sf), plus a 4% cost escalation for a total of \$265 for building only. The FY 2018 figure, as initially proposed in July 2016, represents a 6% decrease to the FY 2017 building costs figure.

Sample set for FY 2018 cost per sf calculation for July 2017 bids.

Source/School	Project Type	Bid Opening	Bldg Cost w/o site	Bldg Cost w/site	% Incr. w/site	Building Square Footage
Calvert - Northern H.*	Replacement	Jun-16	285.67	331.96	16%	194,449 sf
Howard - New E #42*	New	Jul-16	235.44	272.09	16%	116,633 sf
Montgomery - Wheaton Woods E.*	Replacement	Dec-15	244.48	278.33	14%	120,154 sf

Summary:	
Average of 3 bids	\$ 255
Plus 4% Projected escalation to 7/1/16	\$ 10
Proposed FY 2018 Cost (7/1/17)	\$ 265
Proposed figure including 19% for Sitework	\$315.35

Expanding the analysis to a larger and more recent set of 8 bids received from June 2016 to February 2017, as shown in the table below, indicates an average cost per sf of \$281 for building only. These results confirm that the FY 2017 (CY 2016) cost per sf of \$282 for building only was justified.

Revised sample set for FY 2018 cost per sf. calculation for July 2017 bids.

Source/School	Project Type	Bid Opening	Bldg Cost w/o site	Bldg Cost w/site	% Incr. w/site	Building Square Footage
Anne Arundel - Arnold E.	Replacement	Feb-17	\$266	\$317	19%	53,680 sf
Anne Arundel - Jessup E.	Replacement	Feb-17	\$287	\$362	26%	89,082 sf
Calvert - Northern H.*	Replacement	Jun-16	\$286	\$332	16%	194,449 sf
Cecil - Gilpin Manor E.	Replacement	Jul-16	\$245	\$292	19%	65,837 sf
Charles - Elementary #22	New	Dec-16	\$285	\$339	19%	103,737 sf
Dorchester - North Dorchester H.	Replacement	Jul-16	\$344	\$409	19%	115,000 sf
Howard - New E #42*	New	Jul-16	\$235	\$272	16%	116,633 sf
Wicomico - West Salisbury E.	Replacement	Dec-16	\$299	\$343	15%	60,833 sf

Summary:	
Average of 8 bids; Building only	\$ 281
Plus 4% Projected escalation to 7/1/16	\$ 11
Proposed FY 2018 Cost (7/1/17)	\$ 292
Proposed figure including 19% for Sitework	\$347.48

Following PSCP's historical practice of applying the Department of Budget and Management and Department of General Services construction cost escalation factor of 4% to the FY 2017 figure of \$282 results in an increase to the average cost per sf from \$265 (the July 2016 proposed figure) to \$292 for building only and \$347.48 for building including 19% for site work. Given the results of this recent analysis, PSCP will consult with the IAC to determine if a revision to the cost per sf published for FY 2018 (CY 2017) is warranted.

If the IAC supports a revision to the \$265, PSCP will notify the LEAs and reflect the change in the final worksheets in the FY 2018 CIP.

IV. MSDE should explain to the budget committees how it set the maximum funding levels for nonpublic school participating in the Nonpublic Aging Schools Program.

The Maryland State Department of Education sets the maximum funding levels for the Nonpublic Aging Schools Program after reviewing all the applications for eligibility and determining the number of schools in each of the three funding categories. The intent is to provide funding to all the eligible schools and use the total allocation.

The budget language establishes proportions for the maximum funding levels – “x”, three times “x”, and four times “x”. The Department follows the same proportions to determine the levels for schools meeting one, two, and three criteria. The Department then adjusts for the \$5,000 minimum, for schools that may have requested less than they might have been eligible for, and adjusts the base amount to use the total program allocation.

Please note the allocations shown on Exhibit 6 are subject to approval by the Board of Public Works, scheduled for March 22, 2017.

Interagency Committee on School Construction
Public School Construction Program
Baltimore County FY 2017 Capital Improvement Program Approved Projects
Allocation, Contract, and Expenditure Status as of March 3, 2017

Project Name	Funding Years	Project Type	Allocation from Prior Years (a)	FY 2017 CIP Allocation (b)	Total Project Allocation to Date (c)=(a)+(b)	Project Allocation Adjustments to Contingency Increase/(Decrease) (d)	Current Allocation (e)=(c)-(d)	Current State Contract Participation (f)	Current State Contingency for Change Orders (g)	Current State Expenditures (h)	Current State Allocation Available for Contracts (i)=(e)-(f)-(g)
Baltimore Highlands Elementary	2017	SR-Air Conditioning		2,265,000	2,265,000	(32,156)	2,232,844	2,178,384	54,460	227,164	- (3)
Bear Creek Elementary	2017	SR-Air Conditioning		2,532,000	2,532,000	(157,485)	2,374,515	2,316,600	57,915	-	- (3),(6)
Chapel Hill Elementary	2017	SR-Air Conditioning		2,558,000	2,558,000	(147,241)	2,410,759	2,351,960	58,799	-	- (3)
Edmondson Heights Elementary	2017	SR-Air Conditioning		2,265,000	2,265,000	(693,982)	1,571,018	1,532,700	38,318	-	- (3)
Franklin Middle	2017	SR-Air Conditioning		5,383,000	5,383,000	-	5,383,000	-	-	-	5,383,000
Grange Elementary	2017	SR-Air Conditioning		1,999,000	1,999,000	(70,606)	1,928,394	1,881,360	47,034	-	- (3),(6)
Kingsville Elementary	2017	SR-Air Conditioning		1,999,000	1,999,000	(41,557)	1,957,443	1,909,700	47,743	-	- (3)
Oakleigh Elementary	2017	SR-Air Conditioning		1,732,000	1,732,000	-	1,732,000	1,732,000	-	287,347	-
Pot Spring Elementary	2017	SR-Air Conditioning		1,977,000	1,977,000	(208,295)	1,768,705	1,725,566	43,139	-	- (3)
Landsdowne Elementary	2017	C-Replacement		5,918,000	5,918,000	-	5,918,000	-	-	-	5,918,000
Relay Elementary	2016, 2017	C-Replacement	5,788,000	5,344,000	11,132,000	-	11,132,000	11,132,000	-	7,521,708	-
Victory Villa Elementary	2017	C-Replacement	538,000	4,137,000	4,675,000	520,534	5,195,534	309,660	-	198,055	4,885,874 (4)
Westowne Elementary	2016, 2017	C-Replacement	10,628,000	644,000	11,272,000	-	11,272,000	11,268,962	3,038	10,257,974	-
Padonia International Elementary	2017	C-Renovation-Addition		970,000	970,000	-	970,000	-	-	-	970,000
Dumbarton Middle	2017	C-Renovation		10,189,000	10,189,000	-	10,189,000	10,189,000	-	294,143	-
Baltimore County Totals			16,954,000	49,912,000	66,866,000	(830,788)	66,035,212	48,527,892	350,446	18,786,391	17,156,874

Notes:

- (1) Column "c" represents the Total Project Allocation to Date from prior fiscal year CIP's and the fiscal year 2017 CIP.
(2) Column "d" represents the amount of allocation increase/decrease to the total project allocation.
(3) A project allocation decrease is the result of actual bids that were below the CIP estimate. The reduction is reflected in the Current Allocation amount (column e).
(4) A project allocation increase is reflected in the Current Allocation amount (column e) and is the result of re-allocating available LEA reserved contingency funds to projects that were partially funded in prior fiscal years.
(5) PSCP approved the annual CIP funding on a project by project basis. In order to permanently withhold \$5 million from Baltimore County a project(s) will require an allocation adjustment(s).
(6) Contracts received by PSCP that are pending IAC approval on March 8, 2017.