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**PUBLIC SCHOOL CONSTRUCTION IN MARYLAND
THE INTERAGENCY COMMITTEE ON SCHOOL CONSTRUCTION
Report to the Education and Economic Development Subcommittee
House Appropriations Committee
February 1, 2018**

Delegate Maggie McIntosh, Chair

**PUBLIC SCHOOL CONSTRUCTION IN MARYLAND
THE INTERAGENCY COMMITTEE ON SCHOOL CONSTRUCTION
Report to the Education, Business and Administration Subcommittee
Senate Budget and Taxation Committee
February 5, 2018**

Senator Nancy J. King, Chair

Robert Gorrell
Executive Director, Public School Construction Program

Thank you for your continuing support for public school construction in Maryland, and for the opportunity to report today on the operating budget of the Public School Construction Program (PSCP) that plays a central supportive role to the Interagency Committee on School Construction (IAC) and the Board of Public Works (BPW). Our agency is tasked with a significant mission to:

Provide leadership and resources to local education agencies in the development of school facilities so that all Maryland public school students, teachers, administrators and staff have safe and educationally supportive environments in which to teach and learn. The overriding goal of the PSCP is to promote equity in the quality of school facilities throughout the State of Maryland.

In this report we will respond to the analyst's questions, and will provide additional information that may be of interest to the members of the committee.

INTERAGENCY COMMITTEE ON SCHOOL CONSTRUCTION – DUTIES AND FUNCTIONS

With a current approved staff of 19, the Public School Construction Program (PSCP) manages the State financial contribution for approximately 903 active projects with a total State contribution of \$1.84 billion. The active projects account for three of the traditional funding programs, specifically the Capital Improvement Program (CIP) with 799 projects at \$1.825 billion, the Aging Schools Program (ASP) with 57 projects at \$8.142 million and the Qualified Zone Academy Bond (QZAB) program with 47 projects at \$7.88 million. The QZAB program is discontinued for FY 2019 however, PSCP will continue to manage the active projects through close-out and audit. In addition, our agency assists the Maryland State Department of Education (MSDE) by managing the financial transaction aspects of the Non-Public Aging Schools program. At this time, there are 179 active projects totaling \$3.119 million in

unexpended funds, consisting of 23 FY 2015 projects, 47 FY 2016 projects, and 109 FY 2017 projects. For FY 2018 MSDE has received 181 applications for eligible projects that are pending approval of the \$3.5 million.

Program Manager III Vacancy

IAC should comment on how it is accomplishing its programmatic goals with such high turnover and the timeline for filling the vacant positions. (D25E03, page 2)

Ninety-five percent of the PSCP's operating budget is allocated to its salaries. As noted in the analysis, we have had an unprecedented vacancy rate of 21% or 4 vacant positions in the agency for most of calendar year 2017. Many of our current employees over the past year have continued to perform dual duties, which often resulted in delays of routine business activities and critical business functions. I am pleased to report that PSCP was able to fill two of these positions, one at the end of December 2017 and one in the beginning of January 2018. PSCP is currently employing two contractual employees and has utilized the services of a temporary staffing company over the past year to address some of its staffing needs. As of this writing, the remaining vacancies include one Administrative Officer and the Facilities Maintenance Group Manager (FMGM) (Program Manager III).

The FMGM is a senior level position requiring a great deal of facilities and construction technical expertise and reports to the Deputy Director of the PSCP as well as acting as an advisor to the Executive Director. The Facilities Maintenance Group (FMG) work is pivotal to ensuring fiscally sustainable public school facilities that fully support learning within healthy, safe, and fully functional environments. The FMG actively promotes/advances good maintenance practices and appropriate facility design. The Manager coordinates the work of the FMG and must have knowledge of all activities of the PSCP. The position must fully support the work of the Interagency Committee on School Construction (IAC) such as with active interface with capital planning and measures of fiscal performance metrics. The vacancy of this position has stalled the pursuit and implementation of best practices in school construction and maintenance.

Since the February 2017 resignation of the FMGM there has been difficulty in attracting qualified candidates. The skill sets and experience required for the position are in demand both by owners of large facilities portfolios and by the construction industry that have lost personnel due to retirement and as a result of the 2008 great recession.

The FY 2017 budgetary constraints and revisions to the job description delayed the recruitment of the position. This position was advertised beginning in September 2018 on the Department of Budget and Management Online Employment Center, Public School Construction website, National Council of School Facilities, National Association of Power Engineers and other employment sites. The advertisements resulted in a limited pool of three (3) qualified candidates. Interviews were conducted, which resulted in a qualified candidate that declined the offer for a better opportunity. The State salary range for this position begins at \$60,543 and ends at \$97,203.

The position was re-advertised in January 2018 and closed on January 31, 2018. PSCP is hopeful that this recruitment will result in a qualified candidate to assume the role of Facilities Maintenance Group Program Manager III in February 2018.

Some of the duties for the vacant Administrative Officer position have been disbursed to other agency personnel, particularly the Administrative Officer of the Facilities Maintenance Group. This position is our next priority for hiring and we hope to have the position description revamped and ready for recruitment in February 2018.

The 21st Century School Facilities Commission recommendations and the significant amount of attention being placed on providing innovation and increased value by the IAC is placing an increased workload on the IAC and its staff. In order to address and focus on the recommendations, it is critical that salary levels be appropriate to the tasks to be accomplished and the PSCP operating funding be adequate to recruit, hire, and retain the professionals necessary to address the recommended expectations in the next fiscal year and beyond.

21st Century School Facilities Commission

IAC should comment on the extent to which it agrees with these recommendations and others that have been put forward by the commission, and the impact they would have on IAC and PSCP's operations and priorities. Specifically, IAC should comment on the timeline for procuring and completing the recommended statewide facilities assessment. (D25E03, page 12)

Recommendation 1

Statewide Facility Assessment

A statewide survey of facility conditions will accurately identify areas of deficiencies and raise legislative and public awareness of the actual needs, allowing the State to focus its funding on the areas that require support and effort to improve school facilities. A uniform integrated data system and sufficient PSCP staff to continually and accurately update the system information would result in meaningful, consistent, and comparable statewide facility information available for State and local stakeholders. Age and condition information down to the systemic level would be collected, reported, and utilized by decision-makers at the state and local levels. Current COMAR 13A.01.02.04 requires a statewide assessment every four years; due to lack of dedicated funding, it was only performed in 2003. Facilities condition assessments have a shelf life of approximately 3-4 years, and are necessary to know both the overall and specific capital needs. It is estimated that the initial cost of a Statewide Facility Assessment is \$3.5 million with subsequent annual allocations in years 2 and 3 of \$350,000 for technical support and development of the Maryland School Facilities Assessment Database (FAD). We anticipate that if piggy backed on an existing contract, that it would take approximately 10 months to complete the first statewide facilities conditions baseline that will combine new assessments and recent existing assessments. After the initial assessment is completed, ongoing assessment staff of approximately 10 will conduct surveys on a 3-4 year cycle to maintain the data so that it is both current and consistent.

Table 1 below is the estimated IAC out year budget inclusive of the above positions, an Eastern Shore and Western Counties regional office, and other positions and software to support the outcomes envisioned by the draft 21st Century School Facilities Commission report. This would add estimated operating budget costs for additional staffing to PSCP in the amount of \$1.7 million in year 1 for 19 additional positions, \$1.8 million in year 2 for 18 additional positions and \$187,000 in year 3 for 2 additional positions.

Table 1
(\$000 omitted)

	Current	Year 1	Year 2	Year 3
Staffing Costs	19	38	56	58
Existing PSCP Operating Budget	\$2,069	\$2,071	\$3,727	\$5,557
Expanded Staffing Costs for additional 39 PINS@ Mid-Point salary	\$0	\$1,656	\$1,830	\$187
Total Staffing	\$2,069	\$3,727	\$5,557	\$5,744
Management Systems				
Facilities Assessment Database (FAD)	\$0	\$3,500	\$350	\$350
Computerized Maintenance Management System	\$0	\$604	\$494	\$494
Document Management System	\$0	\$1,300	\$400	\$400

Total Management Systems	\$0	\$5,404	\$1,244	\$1,244
Total	\$2,069	\$9,131	\$6,988	\$6,988

Recommendation 7

School Construction Authority

We concur with the recommendation that the IAC should explore opportunities to advance school construction continuously so that we can learn and achieve the lowest total cost of ownership. Knowing what works and what does not can guide improvement of the design and construction of schools in Maryland.

Schools must provide healthy, safe, and educationally sufficient learning environments into our foreseeable future. For a school to be truly sustainable it must have resources such as people and funding that will ensure educational suitability.

There are three variables to sustaining facilities – total spending, current replacement value (CRV), and maintenance effectiveness.

- CRV can be addressed by focusing on right-sizing schools.
- Spending requires support of the taxpayers and today's sophisticated voters want transparent information.
- Maintenance is both people for basic maintenance and also proper systemic capital spending.

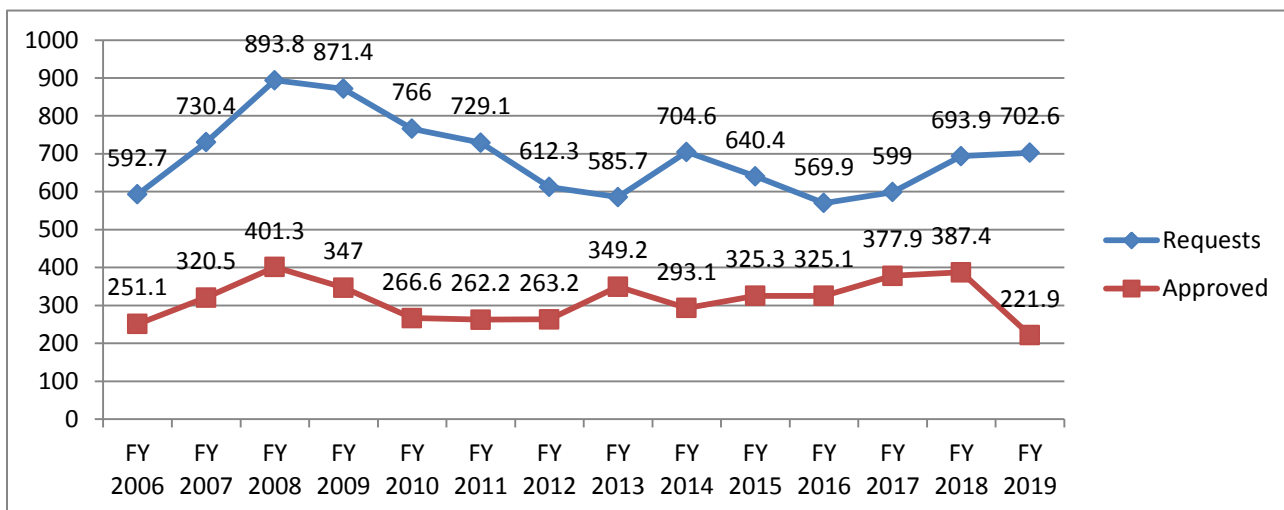
Large portfolio facilities owners estimate that 4% of the CRV is the level of annual capital spending necessary to sustain facilities in a satisfactory condition. This breaks down as follows:

- 2% for capital renewal based on a 50-year depreciation schedule (facility lifespan) PLUS
- 1% for as-needed alterations required by changes in programming and/or populations PLUS
- 1% for required capital maintenance (systemic replacements and renewals e.g. roofs & HVAC.

Each year the PSCP receives requests for school construction funding that are in excess of the traditional general obligation funds available. (See Chart 1) The funding requests in the annual CIP represent only a partial picture of the capital needs of the local school systems. A continuing commitment to provide the traditional general obligation bond funding as well as exploring alternative funding methods for school construction is certainly needed.

Summary of Annual Capital Improvement Program LEA Funding Requests and State Funding Fiscal Year FY 2006 – FY 2019 (\$ in Millions)

Chart 1



Note: FY 2019 Approved represents 75% of anticipated capital budget of \$280 million.

Recommendation 7 - Continued

School Construction Authority

One possibility to address the revenue shortfall in jurisdictions with limited local fiscal support could be the identification of a revenue source for a revolving loan fund that would provide financial assistance in the form of low interest loans and/or grant funding. With a sufficient revenue source for the revolving loan fund and adequate professional financial staff the IAC could manage the revolving loan fund. The first step is to identify an initial revenue source. As the loans are repaid the fund would replenish itself. The revolving fund could be utilized for capital projects including systemic projects, and for emergent issues related to life, health, and safety threats, or for emergency needs where a school system lacks sufficient funding to address the immediate need. A revolving fund could resolve some “forward funding” and emergency issues.

Recommendation 8

Technical Assistance to LEAs on Public-Private Partnerships (P3s)

The use of P3s for K-12 facilities nationally has been very limited and their suitability depends on factors that are unique to each situation in which a P3 might be used. Implementation of P3s in a way that protects LEAs’ interests requires specialized knowledge and capacity that few LEAs have and if managed as standard agreements, all LEAs might benefit. The IAC therefore agrees that providing technical assistance to LEAs regarding P3s is an appropriate and important role for the IAC that would need to begin at the project-planning stage, but also provide ongoing support for management of agreements. The required up-front investment of staff time to compile appropriate materials and create guidelines and agreements and advise on performance of the agreed outcomes requires specialized knowledge that is currently not within the IAC’s capacity. This could be approached as a pilot program utilizing contracted resources, but management of contracts is also necessary to ensure outcomes as well as documenting and evaluating piloted P3 arrangements.

Recommendation 13

State and Local Roles in the School Construction Process

The IAC should review all construction submission requirements to determine the value to the State and local school systems. We concur that the implementation of a document management system to provide transparent support and administration of all submissions to MSDE and DGS of education specifications, feasibility studies, and design development and construction documents is needed. A cloud based single-point of entry business management system for all business processes and information management would benefit the State and locals as it would provide a centralized location for all submissions, better collaboration amongst stakeholders, and robust document retention. A business management system would greatly streamline existing and new processes, be transparent, ensure accountability, identify best practices, and through management-by-exception principles, provide continuous improvement of school facilities delivery and ownership. The initial cost estimate is \$1.3 million for this type of system, with an estimated annual cost of \$400,000 for ongoing system maintenance and technical support.

Program and Design Document Submissions

The Commission recommends that MSDE and IAC continue to review and approve educational specifications and schematic designs for major construction projects. The IAC agrees in part because the value that MSDE and IAC add to LEAs’ projects is greatest when engagement with the LEAs takes place earlier (educational specifications) rather than later in the planning process for benefits such as information to support right-sizing schools to minimize first costs as well as the total cost of ownership that will safeguard the overall long-term educational value of capital investment. Currently, with a staff of only three, and without regional support for the Eastern Shore or Western Counties, the MSDE’s School Facilities Branch performs these functions as well as reviewing projects funded entirely with local funds to ensure that they meet Maryland’s educational standards. As the average age of Maryland’s K-12 facilities nears 30 years, it is expected that the number of systemic projects and major

construction projects undertaken will increase and the number of reviews required will increase, with a related impact on MSDE's and IAC's operations. If the review of project funded entirely with local funds by MSDE is eliminated as recommended by the Commission, this impact may be reduced. However, the elimination of MSDE's review of projects funded entirely with local funds would also eliminate IAC's first review of those projects that receive IAC funding approval after the planning process is complete, thus reducing the value that the IAC can add to the LEA.

We concur that Maryland State Department of Education (MSDE) review of educational specifications is valuable, as this document provides the State with specific scope of the project to support the educational programs. The MSDE review is an opportunity for the State to learn the purpose of the project and how it will meet the educational needs of the students. During this review the State shares the potential eligibility of State funding and best practices. The IAC approval is not explicitly required of educational specification. Combining design development and construction documents as a single submission may be encouraged and is determined on a case by case basis.

Change Orders

We concur with the elimination of the required DGS review and IAC approval of change orders for both major construction and systemic projects. It is unlikely that this would result in a financial risk to the State, as 99% of change orders did not affect State funding.

Recommendation 19

Square Foot Per Student Allocations or Alternative Methodologies

The IAC has employed a contractual Senior Program Manager, who in collaboration with the MSDE-Chief, School Facilities branch is working on the development of Facilities Sufficiency Standards and the Maryland Public School Planning Guide. The Educational Sufficiency Standards will establish acceptable levels for the physical condition, capacity, and educational suitability of school facilities. The application of these standards shall be limited to space and attributes needed to support the educational programs and curricula defined by the Maryland State Board of Education to graduate, and that is sustainable within the operational budget of the school systems for staffing maintenance and full utilization of the facilities. As recommended by the Commission, the IAC has taken and will continue to take recommendations from stakeholders at the state and LEA levels in the process of developing the standards. Existing facilities can be measured against Educational Sufficiency Standards to determine relative deviation that can provide useful information for efficient and transparent prioritization of limited capital resources.

The companion Maryland Public School Planning Guide will house in a single location all mandated facilities requirements and be utilized during the programming and design of school projects and will also assist LEAs with implementation, with information on best practices, including selection of materials and systems and guide decisions related to eligibility of State funding assistance. It is anticipated that a draft of the Facilities Sufficiency Standards and the companion Planning Guide will be made available to begin the feedback process in FY 2018.

Recommendation 23

Central Repository for Best Practices in school Construction

We are in agreement with the recommendation to transform the current grant management with regulatory controls role of the IAC into a facilities management partner to LEAs providing modern facilities portfolio management processes that support best practices to ensure that all PK-12 children are housed in educationally sufficient school facilities for the delivery of State required educational programs in healthy and safe environments.

This will require sufficient budget and staffing (refer to Table 1 above) able to provide real-time support to all stakeholders, and must also include funding for professional development including training and

certification programs. Providing IAC staff and LEA partners with opportunities to add value and foster service improvements derived from course learning, peer sharing, achieving applicable industry certifications, and keeping current with industry changes and industry best practices, will benefit the State and all stakeholders.

We look forward to working closely with the members of the Maryland General Assembly and School officials to ensure that all the students and teachers across the State of Maryland are housed in safe, healthy, and educationally sufficient environments.