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INTERAGENCY COMMISSION ON SCHOOL CONSTRUCTION

2020 Capital Budget Hearing Testimony

House Appropriations Capital Budget
Subcommittee

Delegate Jones, Chair

March 6, 2019

Senate Budget and Taxation Capital Budget
Subcommittee

Senator Peters, Chair

March 7, 2019

Presenters

Amalie Brandenburg, COO, MSDE

Alex Donahue, Manager of Special Projects, IAC

Kim Spivey, Director of Fiscal Services, IAC

Thank you for your continuing support for public school construction in Maryland, and for the opportunity to report today on the capital budget for the Interagency Commission on School Construction (IAC). The Commission and their staff are 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 IAC 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.

Last year's House Bill 1783 changed and increased the requirements of our program significantly, and we are striving to meet the changes as quickly as possible. Last May, the IAC adopted Educational Facilities Sufficiency Standards, which establish a minimum acceptable condition for school facilities. We are working to procure an assessment to measure each school facility in the State against those minimum standards. The IAC and our staff are working to promote greater transparency, live streaming every meeting of the reformed Interagency Commission. We are also actively working to implement procedures and regulations for the Innovation Incentive Pilot Program, the Healthy School Facilities Fund, and the Revolving Loan Fund.

Moving forward, we'll work with workgroups established by HB 1783—the Educational Specifications Workgroup and the Funding Workgroup—to make recommendations and improve our processes. We'll also be looking at public private partnerships and alternative financing arrangements, while studying the impact of prevailing wage requirements.

DLS recommends making the \$20 million for the Revolving Loan Fund in fiscal 2020 contingent on enactment of the Building Opportunity Act, as that level of funding will only be necessary if it is being used to facilitate projects supported by the Building Opportunity Fund.

The IAC is concerned about this recommendation. The Revolving Loan Fund was established in 2018 by HB 1783 to assist LEAs with funding the local share of school construction costs. We believe that this need exists whether or not the Building Opportunity Act becomes law. Local school systems may be unable to pay the local share of school construction costs in a given fiscal year, but will have the capacity to repay the amount of a no interest loan over a period of several years. The Revolving Loan Fund provides another tool for LEAs to meet their school construction needs.

IAC should comment to the budget committees if it will plan to reimburse these forward-funded projects with available PAYGO funding in fiscal 2020.

If PAYGO funding becomes available under which reimbursement of CIP projects is an eligible expense, the IAC will seek to reimburse projects that require PAYGO funding. These projects are currently prioritized last in the Prince George's County CIP. We will work with the LEA to determine whether they would like to reprioritize if PAYGO funds become available.

In order to simplify and streamline the process by which unexpended funds may be reallocated to new purposes, DLS recommends that language be added to the DeGrange Program appropriation requiring that grant funding must be expended within three years of when the funding was made available and that any unexpended funds after that time period must be transferred to the Unreserved Statewide Contingency Account for public school construction.

The IAC concurs with this recommendation.

IAC should explain to the budget committees when it plans to make Round 2 of the fiscal 2019 capital funding for school safety improvements available to LEAs and whether or not it plans to use the same allocation methodology for Round 2.

IAC staff have prepared revisions to the School Safety Grant Program (SSGP) Administrative Procedures Guide as well as proposed LEA allocations for IAC consideration at their meeting tentatively scheduled for March 21, 2019. The proposed allocations are based upon proportional share of total square feet and proportional share of enrollment as in the first round, but with an LEA minimum allocation of \$200,000 to ensure that each LEA has funding sufficient to carry out critical projects.

Regarding Nonpublic School Safety Improvements—As the language for participation in the program and distribution of funding has not been included for the fiscal 2020 administration of the program, DLS recommends that this language be updated and restored.

The IAC concurs with this recommendation

IAC should comment on the reasons for the large contingency balance for Prince George's County and plans to spend it down.

In August, 2018, the IAC approved a request from Prince George's county to cancel ten systemic projects, totaling \$8,620,000. In their request, they noted that they are working toward holistic, cost-effective projects, which required an evaluation of whether or not prior-year projects reflect smart investments and cost-effective, long-term improvements.

The 100% Capital Improvement Program (CIP) projections reviewed by the IAC at their February 12, 2019 meeting include allocation of \$10.034 million of contingency funds reserved for Prince George's county to their FY 2020 requested projects, leaving a reserve balance of approximately \$3 million. There is a major project that is partially funded that could utilize these funds. The IAC will consider additional application of contingency funds before approving the 100% allocations in May.

IAC should explain to the budget committees if funds for ineligible non-public schools have already been disbursed and whether there are any mechanisms to have those funds returned.

For the FY 2019 DeGrange program funding for non-public schools, the compliance forms were revised to make the applicable laws very clear, and to make clear that the only remedy for non-compliance is ineligibility for the programs. The funds have not been disbursed. To the extent that any awards were made to an ineligible school, at the March 21 IAC meeting there will be an agenda item to remove the awards to this school.