



Interagency Commission on School Construction Fiscal Year 2024 Capital Budget Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Capital Budget Subcommittee
Senator Craig J. Zucker, Chair
Tuesday, February 28, 2023

House Appropriations Committee
Capital Budget Subcommittee
Delegate Mark S. Chang, Chair
Wednesday, March 1, 2023

Presenters:

Edward Kasemeyer, IAC Chair
Alex Donahue, IAC Executive Director
Cassandra Viscarra, IAC Deputy Director for Administration
Tom Lockman, IAC Chief Financial Officer
Arabia Davis, IAC Funding Programs Manager

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 achieve a safe, healthy, and educationally sufficient learning environment for every child attending a public school in Maryland.

The IAC has reviewed the draft budget analysis provided by the DLS analyst and concurs with the recommendations of Governor's allowance for PAYGO and approval of all general obligation bond and revenue bond authorizations.

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

1. IAC should comment on why some Local Education Agencies (LEAs) Public School Construction Program allocations exceed 100% and whether LEAs will resubmit plans to spend funds in fiscal 2024.

Many LEA requests did not include the maximum eligible State funding amount due to the new project specific eligibility increases included in the 2022 HB 1290 (Ch. 32). The IAC analyzed and updated the State cost share for all submitted CIP projects after the 75% CIP was published and prior to review and recommendation by the IAC of the 90% CIP in February 2023. Typically LEAs are eligible for the lesser of their request amount or the eligible amount. However, because of the analysis which

increased the State cost share for a number of projects, the IAC adopted 90% recommendations and 100% projections that in some cases exceeded the LEA request amount, based upon the assumption that the LEA will likely amend their request to maximize State participation. The IAC further elected to reopen the FY 2024 application period to receive requests for adjustments to submitted project applications or for the submission of additional projects. In the May approval, the IAC will revise the allocations to no more than 100% of the LEA's request.

It is anticipated that the 100% CIP approval will substantially differ from the 90% IAC recommendations approved by the IAC in February due to the unexpected increase in available CIP funding. It should also be noted that the amount held in reserve (typically less than \$7 million annually) was shown at a much larger level in the 90% CIP in order to postpone allocating funds which may be provided to projects that are submitted during the reopening of the application period, particularly in LEAs that did not apply for a sufficient number of projects to utilize their target allocations based upon the increased funding amount in the Governor's budget. Correspondence to the LEAs regarding their target allocations is attached for your information.

2. IAC should comment on why the Enrollment Growth and Relocatable Classroom (EGRC) program balance is over \$100 million and the reason for unallocated funds.

The IAC typically allocates CIP funding prior to the application of EGRC funds in a CIP cycle. If a Local Education Agency submits an inadequate amount of projects to utilize both their target allocation and their EGRC funds, then some EGRC funds will remain unallocated until the following fiscal year. Given the impact of understaffing for some LEAs as well as recent materials and labor shortages, the capacity to move forward with the execution of multiple projects in a given year has resulted in project delays and sometimes project cancellations. These combined challenges have resulted in the large balance of unallocated and/or unencumbered EGRC funds. Of the \$95,391,000 appropriated for EGRC in FY 2023, the IAC has currently allocated \$46,099,873 to projects, of which \$5,440,492 is encumbered. Prior year EGRC funds totaling \$50,761,757 are currently available for allocation in the FY 2024 CIP, including \$49,291,127 from FY 2023 and the remainder for prior years.

3. IAC should comment on the current status of HSFF grants, the timetable for unexpended fund balances, and how the agency is prioritizing [American Rescue Plan Act] ARPA funding to ensure that those funds are spent prior to the September 30, 2024 deadline.

ARPA funds are specifically required, per the capital budget, to be allocated to heating, ventilation, and air conditioning (HVAC) projects. The IAC worked with LEAs to identify a sufficient number of eligible HVAC projects for allocation within the necessary timeframes. It should be noted that many of the

IAC's smaller capital projects are fully executed by the LEA and then submitted for reimbursement, making it relatively routine for the IAC's encumbrance and expenditure information to lag behind the actual work. The IAC is working with each LEA to ensure that their projects are on schedule.

The FY 2020 HSFF grant has a total of \$29,942,059 currently allocated to projects with an amount of \$10,413,047 remaining unexpended at this time. As noted in the capital budget analysis, the FY 2021 and FY 2022 HSFF funds are combined in the 2022 HSFF Program. State FY 2021 funds totaling \$29,605,450 and State FY 2022 funds totaling \$27,542,967 are currently allocated to active projects. Federal FY 2022 ARPA funding totaling \$39,937,218 is allocated to active projects. The IAC currently has requests for payment from LEAs in the review stage that are not reflected in this data at this time.

4. IAC should comment on when the NASP balance will be transferred to the Unreserved Statewide Contingency Account.

The IAC intends to utilize FY 2019 NASP in the amount of \$487,109 and FY 2020 NASP in the amount of \$490,547 as a source of available funding in the FY 2024 CIP. The transfer of the funds will be reported on via the Quarterly Reserve Appropriation Report to indicate availability. Expenses for FY 2021 NASP are still eligible for submission through March 31, 2023, after which the IAC will assess final fund availability and transfer the funds to the statewide reserved funds account.

5. IAC should comment on the status of the Revolving Loan Fund and whether fiscal 2024 funding is needed.

The revolving loan fund was initially funded in FY 2023 with \$40 million in PAYGO funding. The IAC had a preliminary meeting with the State Treasurer's Office and continues to work on the development of the program. There is significant interest in the program from the LEAs, especially smaller LEAs who cannot always generate sufficient funds for the local share of a large capital project within the project timeframe. However, the development of a loan program is significantly more complicated than development of the IAC's typical grant programs, and the complexity of the task coupled with the IAC's vacancies during this time period resulted in delays in implementing the program. Nonetheless, the IAC believes there are existing needs to utilize both the FY23 appropriation and the FY 2024 Governor's budget, for a total FY 2024 program of \$60 million, and that with current staffing reorganization and recent recruitment success, we are on track to continue program development and begin accepting applications for loans no later than December 2023.

6. Because the CIP does not break out unexpended balances by fiscal year and program prior to fiscal 2018, IAC should report this information.

After several years of staffing vacancies in the IAC's Finance division, and the loss of key expert staff members from the agency, the IAC is currently undertaking an intensive internal reconciliation to appropriately utilize, track, and report on all prior year fund balances. The IAC expects to be able to provide full details of that initiative by the end of FY 2023.

7. IAC should comment on why the agency has not submitted mandated quarterly [reserved funds] reports.

The IAC Finance division has not been fully staffed on a regular basis since early 2021 and has not seen an increase in Finance staff since the addition of new programs to the IAC's portfolio and the increased level of the State's commitments to IAC programs. The IAC has recently filled two of its three finance positions, and has selected a candidate for the remaining vacant position who is expected to accept and begin working with the agency in March. Additionally, the IAC is in the process of reclassifying a PIN to be shifted to its finance team. Further, as mentioned above, the IAC is undertaking a full reconciliation of all prior year funds. It is anticipated that all of the late quarterly contingency reports will be finalized and submitted by the end of the fiscal year, and that, once the IAC's finance group is fully staffed, further submission delays are not expected to occur.

The IAC's programs are continuing to provide critical funding to all 24 Local Education Agencies and the Maryland School for the Blind. In FY 2023, the IAC approved 130 projects totaling \$412 million through the CIP, including funding for the EGRC program. The IAC also allocated an additional \$90 million through the HSFF, including \$40 million in Federal ARPA funding. Through the Built to Learn Act program, the IAC has been making approvals on a rolling basis and so far has approved over \$908 million in funding since May 2021.

We look forward to continuing to work with the General Assembly and all of our stakeholders to provide funding as well as technical expertise and support to each of Maryland's LEAs to benefit every PK-12 public-school student in Maryland.



Interagency Commission on School Construction

FY 2024 CIP 90% Allocations and Resubmission Deadline Extension

Resubmissions Reopened until March 17, 2023

February 17, 2023

BALTIMORE, MD - At its meeting on February 9, 2023, the IAC adopted the Fiscal Year 2024 90% Capital Improvement Program (CIP) IAC Staff recommendations for each school system and the Maryland School for the Blind, bringing the total IAC recommended allocation to \$436.5 million, as published within the [meeting agenda](#) beginning on page 43.

Governor Wes Moore's proposed capital budget, which was released on January 20, 2023, included significant additional funding for school construction in FY 2024 above the amount that had previously been expected. The number of funding requests originally submitted by several LEAs in the fall of 2022 for the FY 2024 CIP are not sufficient to utilize this additional funding, based on proportional target allocations. Accordingly, the IAC approved the reopening of the application resubmission period for additional project requests until March 17, 2023.

On February 2, 2023, the IAC sent a notice of possible adjustments to the FY 2024 CIP. That notice is attached here for your reference. As a reminder, the 90% recommendations approved by the IAC are considered preliminary and are subject to change prior to the 100% approval on May 11, 2023. IAC staff recommend that LEAs consider submitting additional projects to not only meet, but to even exceed, a total State estimated program of \$485 million. In addition to the \$485 million currently in the Governor's budget, an additional \$100 million may become available for the CIP in accordance with the capital budget. Additional changes may be made throughout the legislative session that may increase or reduce funding availability.

LEAs are encouraged to submit sufficient applications to utilize whatever amount of funding ultimately becomes available through passage of the capital budget bill for FY 2024. Although the IAC approved the reopening of applications until March 17, 2023, we strongly encourage LEAs to submit any revisions, and especially additional projects, as soon as possible. The sooner new projects are submitted, the sooner IAC staff can work with each LEA to resolve eligibility concerns, making it more likely that projects will be eligible to receive funding in May.

We recognize that gaining the required approvals of the Board of Education and support of the local Government within this limited timeframe may be challenging. The IAC will accept these



notifications of governance support and approval until April 13, 2023. As a reminder, requests for changes to the CIP requests require a letter of support signed by the Board of Education president or minutes indicating approval from a Board of Education meeting. Local governments must have approved support for the entire local share of a school construction project, but need not approve changes to prioritization or fiscal year specific funding requests.

Finally, please note that funds for the Enrollment Growth and Relocatable Classroom program are *in addition* to the CIP targets provided in the February 2 notice. FY 2024 EGRC funds are anticipated to be included in the FY 2024 budget as shown in the table below. Please note that EGRC eligibility presented at the time of the 75% allocations was recalculated in February 2023 to ensure that enrollments include full time equivalent students only and appropriations beginning with FY 2024 will no longer be rounded to the closest dollar amount.

LEA	FY 2024 Appropriation per ED Art. §5-313	Prior Year EGRC	Anticipated FY 2024 Appropriation
Anne Arundel	\$4,899,000	\$3,897,160	\$8,796,160
Baltimore	\$6,489,000	\$7,937,000	\$14,426,000
Carroll	\$1,491,000	\$-	\$1,491,000
Charles	\$1,574,000	\$-	\$1,574,000
Frederick	\$2,654,000	\$12,706,422	\$15,360,422
Harford	\$2,234,000	\$-	\$2,234,000
Howard	\$3,383,000	\$15,816,967	\$19,199,967
Montgomery	\$9,354,000	\$5,662,710	\$15,016,710
Prince George's	\$7,534,000	\$-	\$7,534,000
Worcester	\$388,000	\$-	\$388,000
Total	\$40,000,000	\$46,020,259	\$86,020,259

Ongoing conversations between LEAs and their [assigned](#) Regional Facilities Managers are highly encouraged.

The Interagency Commission on School Construction is an agency of the State of Maryland. Staff of the IAC can be reached at iac.pscp@Maryland.gov. Learn more about the IAC and its programs at mdschoolconstruction.org



Interagency Commission on School Construction

Possible Adjustments to FY 2024 Capital Improvement Program Between 90% and 100% Stages

February 2, 2023

BALTIMORE, MD - The January publication of Governor Wes Moore's proposed capital budget for school construction included a significant increase in anticipated funds for the FY 2024 Capital Improvement Program (CIP). At the February IAC Meeting, for which the [agenda is now available](#), funding recommendations reflect the statutory requirement that the IAC must allocate 90% of the CIP funding identified in the Governor's proposed budget.

Please note that the 90% recommendations should be considered preliminary and are subject to significant changes prior to the 100% approvals in May. The IAC recognizes that if the significant additional funding included in the Governor's budget is approved, some LEAs may desire to submit additional applications for funding or to reprioritize their current project list. At the February 9 IAC meeting, IAC staff will recommend that the IAC approve reopening the CIP application period for revisions to existing applications or for the submission of new applications until March 17, 2023. IAC staff recommend that LEAs consider submitting additional projects to not only meet, but to even exceed, a total State estimated program of \$485 million. Please see each LEA's CIP targets on page 2, updated for the current budget and in accordance with the IAC's decision on January 13, 2022 to freeze LEA allocation targets for FY 24 and FY 25 at FY 23 proportions. Current budget language suggests that there is potential for an additional \$100 million to become available, and there is potential for significant changes to the budget throughout the legislative process, including specifying that portions of the potential additional funding be dedicated to funding programs other than the CIP.

Although IAC staff are recommending that the IAC approve the reopening of applications until March 17, 2023, we strongly encourage LEAs to submit any revisions, and especially additional projects, as soon as possible. The sooner new projects are submitted, the sooner IAC staff can work with each LEA to resolve eligibility concerns, making it more likely that projects will be eligible to receive funding in May.

Please contact your [assigned IAC Regional Facility Manager](#) or the IAC's Senior Regional Facilities Manager, Melissa Wilfong (melissa.wilfong@maryland.gov) should you have any questions or concerns.



FY 2024 IAC Capital Budget Response: Attachment 2
Adjustments to FY 24 CIP Between 90% and 100% Approvals
February 2, 2023

LEA	Proportion	Target Based on \$475 Million
Allegany	1.41%	\$6,699,810
Anne Arundel	9.57%	\$45,469,288
Baltimore City	9.34%	\$44,365,178
Baltimore County	11.71%	\$55,636,020
Calvert	1.93%	\$9,176,165
Caroline	1.22%	\$5,793,889
Carroll	2.44%	\$11,608,668
Cecil	1.58%	\$7,482,584
Charles	3.33%	\$15,820,726
Dorchester	1.18%	\$5,581,606
Frederick	5.44%	\$25,845,940
Garrett	0.60%	\$2,854,195
Harford	4.02%	\$19,083,123
Howard	6.18%	\$29,343,546
Kent	0.59%	\$2,779,149
Maryland School for the Blind	1.85%	\$8,790,944
Montgomery	14.79%	\$70,265,532
Prince George's	12.01%	\$57,037,831
Queen Anne's	0.78%	\$3,701,574
Somerset	1.32%	\$6,271,414
St. Mary's	1.81%	\$8,618,361
Talbot	0.88%	\$4,185,585
Washington	2.57%	\$12,216,722
Wicomico	2.60%	\$12,373,076
Worcester	0.84%	\$3,999,073
Totals	100.00%	\$475,000,000

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