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**PUBLIC SCHOOL CONSTRUCTION IN MARYLAND
THE CAPITAL IMPROVEMENT PROGRAM
Report to the Capital Budget Subcommittee
House Appropriations Committee**

**Delegate Adrienne A. Jones, Chair
Delegate James E. Proctor, Jr., Vice Chair**

David Lever
Executive Director, Public School Construction Program
March 11, 2015

We would like to thank the Committee for its continuous support for public school construction in the state of Maryland. On a per capita basis, Maryland continues to have one of the most robust school construction programs in the United States. This is reflected not only in the level of funding that has been provided to the 24 school systems and the Maryland School for the Blind since fiscal year 2006, but also in the equity of the results: in spite of vast differences in local wealth, economic development, and social and cultural conditions, every school system in Maryland has benefitted from major and minor projects in the last decade. These projects have not only allow students to study in environments that support their educational programs, but also in many cases to enjoy buildings that are themselves instructive in the use of energy, conservation of water, and environmental stewardship.

Between FY 2006 and FY 2015, \$3.1 billion in funding has been allocated through the Capital Improvement Program to support 3,595 projects. These include:

- 105 kindergarten and pre-kindergarten projects in fulfillment of the requirements of the Bridge to Excellence in Education Act of 2002;
- 234 new and replacement schools;
- 289 major renovations, renovations with additions, and limited renovations;
- 87 additions;
- 27 high school science classroom renovations;
- 1,012 systemic renovations of individual building systems;
- 236 Energy Efficiency Initiative projects;
- 26 Air Conditioning Initiative projects; and
- 1,579 Security Initiative projects.

In addition, \$179 million has been allocated through the Aging Schools Program (ASP) and the Qualified Zone Academy Bond (QZAB) program for renovation and repair work in existing schools. The capital funds in these three programs have supported a number of important State policies:

- Approximately 61% of the funding has been directed to projects in existing schools, supporting Maryland's "Fix it First" approach. This method also tends to support Maryland's Smart Growth policies, which mandate that emphasis be placed on the rehabilitation of schools in existing communities.
- CIP funds have supported 78 high performance schools that have achieved LEED certification or will seek certification when completed.
- The revised Minority Business Enterprise (MBE) policies of the Interagency Committee have led to an increase of MBE participation in school construction projects from 12.5% in FY 2008 to over 29.64% in FY 2014.

With these accomplishments, however, our school construction situation continues to face severe challenges:

- In all but one fiscal year since FY 2006, local requests in the Capital Improvement Program have exceeded the State's funding capacity by more than 100%. Remembering that the CIP reflects only that portion of total facility needs for which local governments can provide a local match, we estimate that the total backlog of all deficiencies in the state is well in excess of \$15 billion.
- Large projects in small jurisdictions, which may affect one-half or more of all the students in the school system, continue to require a large investment of State capital, restricting the ability of the Interagency Committee and the Board of Public Works to provide levels of funding to the large jurisdictions that are commensurate with the number and age of their facilities, the number of their students, and the complexity of their enrollment profiles.
- While local maintenance budgets continue to be reduced as a percentage of total operating funds, school facilities continue to age. This combination of pressures means that the backlog of deferred maintenance items continues to grow, placing an increasing burden on maintenance resources, reducing the efficiency of building systems, and resulting in a deteriorated building environment. Capital investment in the renewal and replacement of individual building systems, including HVAC, electrical, roofing, windows, and finishes is a cost effective approach to extending the useful life of these buildings.
- Construction costs are now increasing as the private market rebounds. We have observed a noticeable decrease in competition for school construction projects, and we are aware that the economic recession has caused a concurrent decrease of both plant capacity and the skilled labor pool. These factors lead to predictions of significant cost increases in the coming years.

As school construction needs increase and the value of construction dollars erodes due to construction cost escalation, maintaining a robust level of State funding for school construction will be essential in order to protect these vital public assets. With these challenges in mind, we ask for your continuing support of capital funding in fiscal year 2016.

GO Bond Recommended Actions (page 8)

We agree with the recommendation of the Department of Legislative Services that general obligation bonds could be substituted for a majority of the general fund PAYGO funds that were included in the capital budget. If \$9.3 million of the proposed \$30 million is retained as PAYGO, the Board of Public Works will be in a position to reimburse Prince George’s County Public Schools for the State funding allocation on four schools that were opened in the previous decade. These projects are no longer eligible for reimbursement using tax-exempt general obligation bond proceeds. We have discussed the matter with officials in Prince George’s, and they concur that this is the appropriate use of the PAYGO funds. This action will free up local Prince George’s County resources to support additional new projects in the jurisdiction. These are the only projects in the FY 2016 CIP that require PAYGO funds for reimbursement.

We are concerned, however, about the statement in the analysis that the substitution could be made using the \$28.2 million in the IAC Contingency Account that was shown as of December 31, 2014 as reserved for specific LEAs . When the IAC staff presented recommendations to the IAC on February 23, 2015 for 90% of the Governor’s submitted capital program, it based its allocations on the Governor’s submitted budget of \$280 million, but followed long-standing practice by taking into consideration the contingency funds that will be available to a majority of the LEAs. If these funds are not available in addition to the new funding of \$280 million, it is possible that the IAC approved recommendations of February 23 will need to be revised.

Qualified Zone Academy Bonds (QZABs) (page 9)

IAC should comment on the status of expending the fiscal 2012 funds with the August 2015 spending deadline.

The IAC is on track to expend the remaining \$4.7 M of the 2012 allocation by the deadline. These funds have been allocated to six LEAs that have indicated that the projects are either complete or close to completion. We expect submission of the requests for reimbursements within the next few months. The breakdown is as follows:

LEA	No. of Projects	Anticipated Reimbursement
Frederick	1	\$392,836
Garrett	1	\$90,000
Howard	1	\$500,000
Montgomery	1	\$118,817
Prince George’s	1	\$273,473
Baltimore City	5	\$2,855,634
Total	10	\$4,230,760