

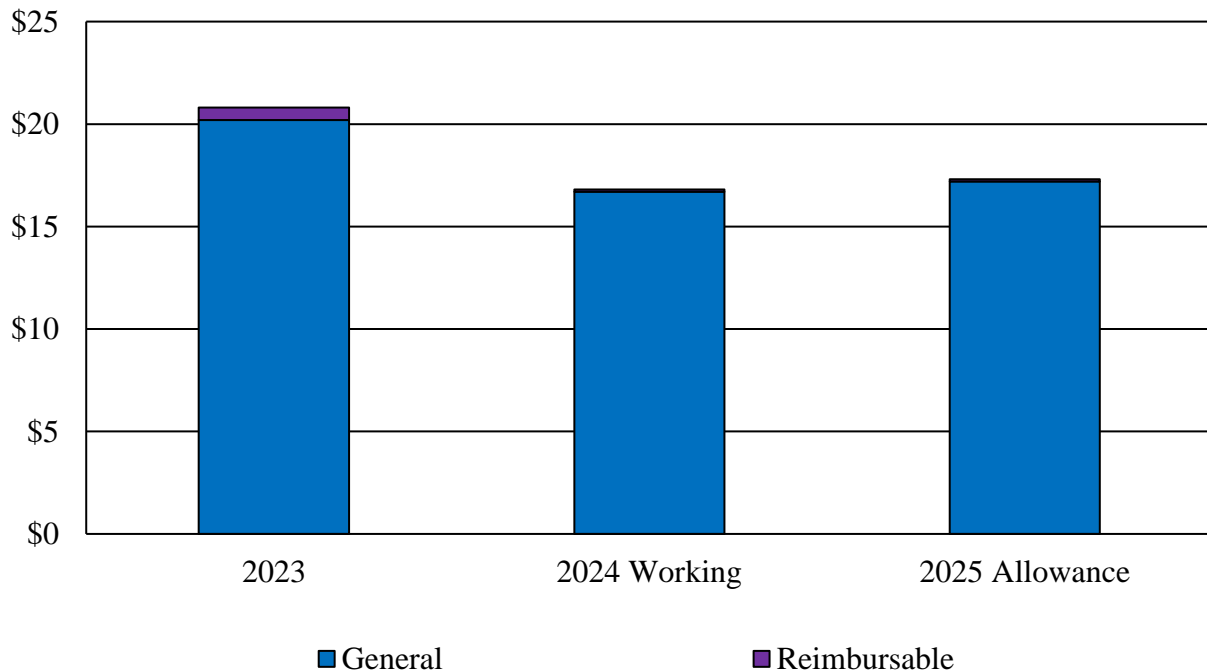
D25E03
Interagency Commission on School Construction

Program Description

As part of the passage of Chapter 679 of 2023, the Interagency Commission on School Construction (IAC) was authorized as an independent State agency. The mission of IAC is to review, analyze, and approve requests for State school construction funds distributed to local education agencies (LEAs). IAC’s goals are to promote (1) equity in the quality of school facilities throughout the State and (2) well-maintained, safe physical environments for teaching and learning. More information on the State’s public school construction program and supplemental grants can be found in the capital budget analysis for D25 – IAC.

Operating Budget Summary

**Fiscal 2025 Budget Increases \$0.5 Million, or 3.3%, to \$17.3 Million
(\$ in Millions)**



Note: The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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Previously under the authority of the Board of Public Works (BPW) and the Maryland State Department of Education (MSDE), the 21st Century School Facilities Act (Chapter 14 of 2018) created IAC as an independent commission. Members of the commission include the State Superintendent of Schools, the Secretary of Planning, the Secretary of General Services, two members of the public appointed by the Governor, two members of the public appointed by the President of the Senate, and two members of the public appointed by the Speaker of the House of Delegates. IAC staff assist the commission to administer school construction funding under the Built to Learn Act (Chapter 20 of 2020, as amended); the Public School Construction Program; and State supplemental grants, including the Aging Schools Program for public and nonpublic schools. IAC’s budget includes funding for public school safety programs, although that program is administrated by the Maryland Center for School Safety – budget code R00A06.

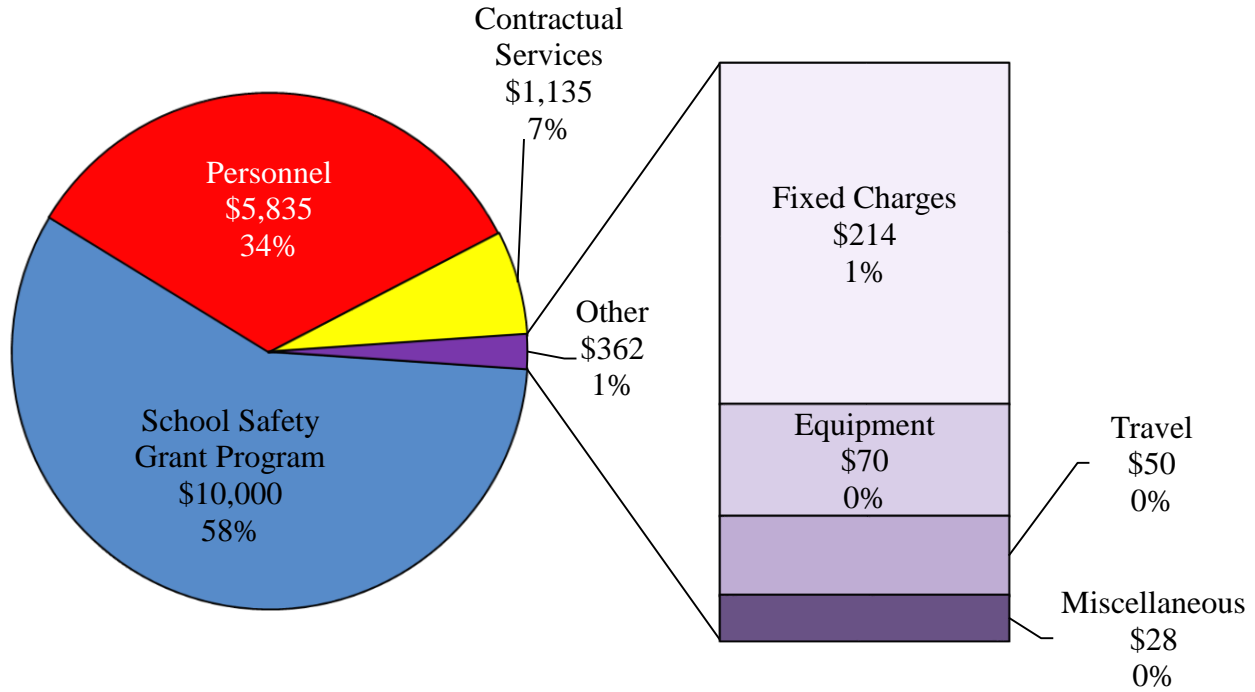
Proposed Deficiency

IAC receives two deficiency allocations in this budget for a total of \$910,907: \$878,631 for the facilities data system (FDS), which is part of the agency’s Integrated Master Facilities Asset Library (IMFAL) required in Chapter 14, and \$32,276 for a salary increase for the deputy director.

Fiscal 2025 Overview of Agency Spending

In the fiscal 2025 proposed budget, IAC’s total allowance is \$17.3 million. Public school safety grants receive \$10.0 million in general funds, or 58%, of this allowance. IAC’s administrative budget receives \$7.2 million, or 42%, of this allowance. **Exhibit 1** shows IAC’s fiscal 2025 proposed budget by object.

Exhibit 1
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

In fiscal 2025, IAC’s personnel allowance is approximately \$5.8 million, or 80%, of the total administrative budget. This amount is dedicated to regular salaries and wages for full-time employees. Contractual services receive a net increase of \$1.1 million, or 7%, of this budget, which includes increases of \$753,000 for licensing for the IMFAL business management system (BMS); \$210,000 for databases associated with IMFAL; \$100,000 for a debt capacity study from the University of Maryland, College Park for the Revolving Loan Fund (RLF), which is a fund under development as part of Chapter 20; and a decrease of \$135,000 for an adjustment to a contract for the State Facilities Assessment (SFA) vendor. IAC also receives \$205,000 for rent under fixed charges for the agency’s new facility. All other administrative expenses receive less than 1% of this allowance.

IAC should comment on the status of the debt capacity study for the RLF; funds expended to date; and whether an additional study is needed, considering that the program remains under development and is not funded in the fiscal 2025 proposed budget.

Proposed Budget Change

In fiscal 2025, the proposed budget increases by \$555,000 in general funds, which reflects an increase of \$660,000 in personnel costs and a decrease of \$105,000 in administrative expenses. Reimbursable funds remain unchanged in this budget. **Exhibit 2** shows this information.

**Exhibit 2
Proposed Budget
Interagency Commission on School Construction
(\$ in Thousands)**

| How Much It Grows: | General <u>Fund</u> | Reimb. <u>Fund</u> | <u>Total</u> |
|--|--------------------------------|-------------------------------|----------------------|
| Fiscal 2023 Actual | \$20,169 | \$633 | \$20,802 |
| Fiscal 2024 Working Appropriation | 16,670 | 106 | 16,776 |
| Fiscal 2025 Allowance | <u>17,225</u> | <u>106</u> | <u>17,331</u> |
| Fiscal 2024-2025 Amount Change | \$555 | \$0 | \$555 |
| Fiscal 2024-2025 Percent Change | 3.3% | 0.1% | 3.3% |
| Where It Goes: | | | <u>Change</u> |
| Personnel Expenses | | | |
| Salary increases and associated fringe benefits, including fiscal 2024 cost-of-living adjustment and increments..... | | | \$493 |
| 3.0 new positions..... | | | 328 |
| Employee retirement | | | 107 |
| Reclassifications..... | | | 83 |
| Social Security contributions | | | 52 |
| Unemployment compensation..... | | | 2 |
| Deficiency allocation in fiscal 2024..... | | | -32 |
| Miscellaneous adjustments..... | | | -106 |
| Turnover increase from 7.0% to 12.0% | | | -266 |
| Other Changes | | | |
| Computers, software, and licenses | | | 831 |
| Routine operating expenses..... | | | 113 |
| Rent and insurance | | | 5 |

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| Where It Goes: | <u>Change</u> |
|---|----------------------|
| Conferences and training..... | 4 |
| Consulting services | -180 |
| Deficiency allocation in fiscal 2024 for the facilities data system Major Information Technology Project..... | -879 |
| Total | \$555 |

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Changes in this proposed budget include:

- a net increase of \$660,000 in personnel expenses, with the majority of this increase attributable to \$493,000 for regular salaries and associated fringe benefits, fiscal 2024 cost-of-living adjustments, and increments; \$328,000 for 3 new positions; and \$107,000 for retirement. Decreases for personnel include \$32,000 for a fiscal 2024 deficiency allocation for a salary adjustment for the deputy director; \$106,000 for miscellaneous adjustments; and \$266,000 for an increase in turnover from 7.0% to 12.0%;
- a slight decrease of \$47,000 for computer-related costs, which reflects an offset between an increase of \$831,000 for computers, software, and licenses and the \$879,000 deficiency allocation in fiscal 2024 for the FDS; and
- an increase of \$122,000 for administrative expenses, including \$113,000 for routine operating expenses; \$5,000 for rent and insurance; and \$4,000 for conferences and training.

Personnel Data

| | <u>FY 23 Actual</u> | <u>FY 24 Working</u> | <u>FY 25 Allowance</u> | <u>FY 24-25 Change</u> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Positions | 41.00 | 41.00 | 44.00 | 3.00 |
| Contractual FTEs | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Total Personnel | 41.00 | 41.00 | 44.00 | 3.00 |

Vacancy Data: Regular Positions

| | | |
|--|------|--------|
| Turnover and Necessary Vacancies, Excluding New Positions | 4.93 | 12.02% |
| Positions and Percentage Vacant as of 1/31/24 | 4.00 | 9.76% |
| Vacancies Below Turnover | 0.93 | |

- IAC reports 4 vacancies as of February 1, 2023, which is significantly lower than the 11 vacancies that were reported in January 2023. Vacant positions include 1 human resources manager, 1 capital project director, 1 finance administrator, and 1 program manager. IAC is in the last stages of filling the first 3 positions, with the program manager position to be posted in mid-February.
- In the fiscal 2025 proposed budget, IAC gains 3 positions – 2 capital project managers and 1 database specialist manager. IAC reports that these new positions are necessary for the following reasons:
 - Capital project managers are the primary point of contact between LEAs and IAC and will be able to respond immediately to LEA concerns. These positions will be added to a team that already includes 1 capital projects director, 1 capital projects supervisor, 1 lead capital projects manager, and 2 capital project managers.
 - The database specialist manager will help implement the new FDS; prepare SFA data; and take over duties from other staff who are not database managers but who have been doing this work while IAC waited for this position to be filled.

Key Observations

1. Interagency Commission on School Construction Reports Progress on Chapter 32 of 2022 Requirements

Chapter 14 required a comprehensive review of the State’s process to assess and fund public school construction. This law reconstituted IAC as an independent agency within MSDE, authorized new positions, expanded IAC staff responsibilities, and created two new workgroups to examine school construction planning and funding. It also required IAC to conduct an SFA, adopt and implement IMFAL, and hire additional personnel to meet Chapter 14 requirements. In calendar 2021, IAC completed the first round of the SFA, which established a baseline for this measure and process, and hired additional personnel.

In December 2021, the Workgroup on the Assessment and Funding of School Facilities, which was constituted as part of the requirement in Chapter 14, completed its final report. This report included several school construction funding recommendations – some of which were included in Chapter 32 and provide additional statutory measures in alignment with Chapter 14, Chapter 20 – the Built to Learn Act, and Chapter 36 of 2021, as amended – Blueprint for Maryland’s Future Grant Program (Blueprint) – Implementation. As part of these recommendations in Chapter 32, IAC was charged with several tasks related to the funding and administration of school construction.

In response to a 2023 *Joint Chairmen’s Report* (JCR) request for committee narrative, in December 2023, IAC provided an update on the agency’s progress to meet Chapter 32 implementation requirements. This report included actions taken by IAC to meet these requirements, including the alignment of sufficiency standards and gross area baseline (GAB) allowances with Blueprint mandates, development of State and local cost share formulas, verification of SFA data, and other concerns of the General Assembly. **Exhibit 3** provides a timetable for these tasks from calendar 2023 to 2026 and IAC’s response as to their status.

Exhibit 3
Status of Tasks Required by Chapter 32
Calendar 2023-2026

| <u>Due Date</u> | <u>Action</u> | <u>Status</u> |
|--|--|--|
| October 1, 2023 (annual) SFA Report | Initial report due in October 2023 to include: <ul style="list-style-type: none">• a process for a local education agency to report any additional information relevant to the inspection; and• documentation of a place in IMFAL for the local education agency to report each year on deficiencies in a school building, even if the school building was not inspected in the prior year. | IAC interpreted this requirement to be their annual maintenance report, which was submitted on time in October 2023. However, an update to SFA and IMFAL was not provided in that report. IAC will turn in a separate report with this information as soon as possible. |
| October 1, 2023 GABs | Align sufficiency standards and square foot allowances with new requirements in Blueprint. | Completed. Revised GABs adopted in October 2023 include additional GAB square footage for Career and Technology Education, English language learners, and Concentration of Poverty Grant schools. |
| June 30, 2024 State and Local Cost-share Formulas and Incentives | Update cost-share for State share of the foundation and guaranteed tax base calculations to align with Blueprint formulas. Apply State and local cost-share adjustments to the Public School Construction Program, Healthy School Facility Fund, and supplemental grant program. | Both actions completed. Revised cost-share formulas for fiscal 2026 to 2027 were approved in May 2023. State cost-share adjustment add-ons for Blueprint programs were also approved. |

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| <u>Due Date</u> | <u>Action</u> | <u>Status</u> |
|------------------------------------|---|--|
| Calendar 2022 through July 1, 2025 | IAC continues to work with DLS to verify data collected under SFA until at least the date specified. | Completed for calendar 2023. IAC submitted SFA Refresh Cycle 1 data to DLS in September 2023. DLS reviewed this data and found it to be satisfactory but provided IAC feedback. IAC submitted an updated dataset in November 2023, which DLS is currently reviewing. |
| May 1, 2026 | Adopt regulations establishing the use of the facility assessment results in annual school construction funding. | Will take place once the Workgroup on the Assessment of School Facilities reconvenes. |
| No date specified | Establish an appeal process specifically for approved enrollment projections for individual projects. Determine minimum equipment needed for food preparation to be used for the survey of school buildings. | In process. IAC plans to update its Administrative Procedures Guide to include approved enrollment projections after consultation with LEAs as well as update the appeals process. Unresolved. IAC consulted with MDH, which reported that the agency does not have standards or recommendations for this purpose. IAC reports that it continues to include food preparation areas in their maintenance assessment. |

Blueprint: Blueprint for Maryland’s Future Program
DLS: Department of Legislative Services
GAB: gross area baseline
IAC: Interagency Commission on School Construction

IMFAL: Integrated Master Facilities Asset Library
LEA: local education agency
MDH: Maryland Department of Health
SFA: Statewide Facilities Assessment

Source: Department of Legislative Services

Integrated Master Facilities Asset Library Business Management System in Final Stage; Facilities Data System Remains Under Development

Chapter 14 required IAC to build a cloud-based, asset library (which is IMFAL) that would integrate preventive maintenance and facilities assessment data and allow LEAs to access this data electronically. IMFAL has two main components: BMS, which is in the final testing stage; and FDS, which is under development and will eventually be part of IMFAL.

IAC executed BMS first because it contains and manages the routing and processing of most documents involved in IAC’s business processes, including applications for site approval,

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submissions of project design documents, contracts to grant applications, and payments. BMS is currently undergoing internal and external process review and is planned to have a live release in March 2024. All processes are expected to be in use by LEAs and State agency staff by October 2024.

FDS will provide a portal for LEAs to review and report changes to school facility assessment data and provide school facility assessment reports. Until September 2023, this function was provided through a third-party vendor, Bureau Veritas. Since then, IAC has been maintaining SFA data manually until the FDS is online. With the support of the Department of Information Technology (DoIT), IAC has selected a vendor for data system development services, and the task order has been packaged for submission to BPW for approval at one of its scheduled April 2024 meetings. Upon BPW approval, IAC will start development, which is expected to be completed in early calendar 2025, with LEA access to FDS around mid-calendar 2025.

IAC received three allocations of approximately \$3.2 million in fiscal 2021, 2023, and 2024, respectively, for this project. In fiscal 2021 and 2023, allocations total \$2.2 million; in fiscal 2024, IAC receives a deficiency allocation of \$878,631 in the fiscal 2025 budget as introduced, which, when added to a previous allocation of approximately \$200,000, totals approximately \$1.0 million in fiscal 2024 funding. IAC does not expect additional allocations, as the project is expected to be completed in fiscal 2025.

IAC should provide an update on the following items related to Chapter 32 implementation: (1) status of the SFA report; (2) timetable for the Administrative Procedures Guide and appeal process, specifically for approved enrollment projections for individual projects; and (3) proposed remedy, if any, for the unresolved concern regarding minimum equipment needed for food preparation to be used for the survey of school buildings.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2023 Joint Chairmen’s Report Responses from Agency

The 2023 JCR requested that IAC prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services (DLS) Library website.

- ***Status Update on Chapter 32 Requirements:*** IAC has requirements related to the implementation of Chapter 14 and Chapter 32. The committees asked IAC to submit committee narrative on these requirements. IAC reports that the agency aligned sufficiency standards and square foot allowances with GABs; updated State and local cost-share formulas and incentives; submitted a second round of SFA data to DLS; and worked on establishing an appeals process for individual school construction projects with approved enrollment projections. IAC was not able to resolve a question about the minimum equipment needed for food preparation in the survey of school buildings. Further discussion of this information can be found in Issue 1 of the Key Observations section of this analysis.

Appendix 2
Integrated Master Facility Asset Library - Business Management System
Major Information Technology Project
Interagency Commission on School Construction

| | | | | | | | | |
|---------------------------------------|-------------------|----------------|----------------|----------------|--|----------------|------------------|----------------|
| New/Ongoing: Ongoing | | | | | | | | |
| Start Date: 7/1/2022 | | | | | Est. Completion Date: 5/21/2024 | | | |
| Implementation Strategy: Agile | | | | | | | | |
| (\$ in Millions) | Prior Year | 2024 | 2025 | 2026 | 2027 | 2028 | Remainder | Total |
| GF | \$2.154 | \$1.052 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$3.206 |
| Total | \$2.154 | \$1.052 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$3.206 |

- Project Summary:** This project procures and establishes a state-of-the-art, configurable, online BMS that will contain, route, and save the documents and information related to IAC’s many business processes. It is intended to streamline and enhance agency business processes and operational efficiencies. IMFAL requires two software platforms: BMS, which provides the primary platform for information processing and storage; and FDS, which will provide access for LEAs to maintenance and SFA data. This project is for the BMS; the FDS will be implemented using a Task Order under one of DoIT’s standing master contracts.
- Need:** Under Chapter 14, IAC is mandated to utilize technology to “streamline compliance review and project deliveries.” To meet this requirement, IAC requires a robust cloud-based solution to manage asset tracking, capital planning, engineering, site approval, design review, delivery, funding, payment, accounting, and completion processes, including tracking of post-occupancy and warranty materials. All 24 LEAs and the Maryland School for the Blind will use this system.
- Observations and Milestones:** In calendar 2019, IAC released a request for comment on this project to obtain industry feedback and a draft request for proposals (RFP) based on IAC’s requirements. After analyzing this feedback, an RFP was released in April 2020, with a due date of June 2020. This original RFP process was terminated in November 2020 before a vendor was selected. A revised RFP was issued in April 2021, and an award to the vendor was made in April 2022. IAC received BPW approval for the contract in June 2022. The vendor completed the business process mapping in September 2022 and the design and configuration of the solution in December 2022 and is currently in user acceptance testing. The project has a completion date of May 2024.
- Changes:** Schedule is subject to change based on testing and usability for the intended purpose.
- Concerns:** (1) IAC has limited information technology staff for onboarding this system, which could interfere with system configuration and implementation and (2) the agency’s

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business processes are mandated primarily by statute and are not necessarily modifiable or flexible, so there may be a technical challenge in configuring this system to meet mandated requirements.

- ***Other Comments:*** In the fiscal 2025 budget as introduced, the FDS received a fiscal 2024 deficiency appropriation for \$878,631 for project development costs. IAC reports that funding for this part of the IMFAL project should be approved in April 2024, with the project scheduled to be completed in mid-calendar 2025. With the completion of the FDS, the IMFAL system should be online and usable.

Appendix 3
Object/Fund Difference Report
Interagency Commission on School Construction

| <u>Object/Fund</u> | <u>FY 23</u> <u>Actual</u> | <u>FY 24</u> <u>Working</u> <u>Appropriation</u> | <u>FY 25</u> <u>Allowance</u> | <u>FY 24 - FY 25</u> <u>Amount Change</u> | <u>Percent</u> <u>Change</u> |
|---|-------------------------------|--|----------------------------------|--|---------------------------------|
| Positions | | | | | |
| 01 Regular | 41.00 | 41.00 | 44.00 | 3.00 | 7.3% |
| Total Positions | 41.00 | 41.00 | 44.00 | 3.00 | 7.3% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 4,436,796 | \$ 5,142,029 | \$ 5,834,724 | \$ 692,695 | 13.5% |
| 02 Technical and Special Fees | 685 | 0 | 0 | 0 | 0.0% |
| 03 Communication | 24,202 | 15,255 | 15,255 | 0 | 0% |
| 04 Travel | 47,257 | 20,750 | 50,000 | 29,250 | 141.0% |
| 07 Motor Vehicles | 20,522 | 4,800 | 4,800 | 0 | 0% |
| 08 Contractual Services | 2,489,871 | 386,447 | 1,135,039 | 748,592 | 193.7% |
| 09 Supplies and Materials | 332 | 16,600 | 7,500 | -9,100 | -54.8% |
| 10 Equipment – Replacement | 2,233 | 0 | 0 | 0 | 0.0% |
| 11 Equipment – Additional | 8,060 | 69,553 | 69,553 | 0 | 0% |
| 12 Grants, Subsidies, and Contributions | 13,429,211 | 10,000,000 | 10,000,000 | 0 | 0% |
| 13 Fixed Charges | 56,363 | 209,596 | 214,305 | 4,709 | 2.2% |
| 14 Land and Structures | 286,623 | 0 | 0 | 0 | 0.0% |
| Total Objects | \$ 20,802,155 | \$ 15,865,030 | \$ 17,331,176 | \$ 1,466,146 | 9.2% |
| Funds | | | | | |
| 01 General Fund | \$ 20,169,440 | \$ 15,758,618 | \$ 17,224,677 | \$ 1,466,059 | 9.3% |
| 09 Reimbursable Fund | 632,715 | 106,412 | 106,499 | 87 | 0.1% |
| Total Funds | \$ 20,802,155 | \$ 15,865,030 | \$ 17,331,176 | \$ 1,466,146 | 9.2% |

Note: The fiscal 2024 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.