



**21st-CENTURY BUILDINGS  
FOR OUR KIDS:**  
**BALTIMORE CITY PUBLIC SCHOOLS'**  
**10-YEAR PLAN IMPLEMENTATION STRATEGY**

**Detailed Overview**  
**January 2013**

## **Baltimore City Board of School Commissioners**

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## — ■ BACKGROUND ■ —

***“Every day we all—parents, teachers, community leaders—tell our students that their education is the most important thing. And then we send them to buildings whose physical condition tells them just the opposite.”***

—Roger Schulman, community member, 10-Year Plan Board Forum, December 19,

In November 2012, Baltimore City Public Schools released a proposed plan to overhaul its portfolio of dilapidated school buildings over 10 years. The plan states plainly the poor condition of the district’s school buildings and the detrimental effect this condition has on student achievement and the district’s overall reform efforts. And it sets forth individual recommendations to renovate or replace 136 school buildings, vacate 26 schools buildings, relocate 12 school programs and close 17 school programs—starting in 2013-14.

On January 8, 2013, the Baltimore City Board of School Commissioners voted to approve the 10-year plan. Next, for the plan to move fully toward implementation, the Maryland General Assembly must approve City Schools’ proposed strategy to pay for and oversee its implementation. During the 2013 legislative session lawmakers will be asked to vote on a bill to allow the district to receive future state construction funds in the form of a block grant it can use to leverage large sums of upfront construction funds, and to create an independent authority to oversee all aspects of the 10-year plan implementation.

This section of this document provides a detailed overview of City Schools’ clear, feasible strategy for funding and managing the plan’s implementation, and it lays out the benefits of a fully implemented 10-year plan—for the district, the city as a whole, the state and its many other school districts.



# — ■ INTRODUCTION: ■ — A 10-YEAR PLAN OVERVIEW

*“The fact is, the condition of our school buildings threatens to undermine all of the great things that our teachers, principals and students achieve. The blue ribbons and award-winning programs are undermined at every turn by the message the condition of our school buildings sends to families and, more importantly, to students.... I believe our district won’t be able to achieve the recognition we’re deserving of without the 21st-century buildings plan.”*

—Carla Hobson, parent, The Mount Washington School and Baltimore Polytechnic Institute, 10-Year Plan Board Forum, December 19, 2012

Baltimore City Public Schools students have made unprecedented academic progress in the past five years. They have made gains in the district’s graduation rate and overall student achievement, and they have increased student enrollment, countering decades of declines and previous assumptions that enrollment would continue to drop.

But this progress is at risk: For decades, accumulated wear and insufficient resources have caused the district’s school buildings to steadily deteriorate, and they are now in the worst condition they have ever been. Baltimore students in the 21st century are learning in buildings that do not have electrical outlets to support the use of computers, let alone other modern technology... buildings that can’t support summer learning because they don’t have air conditioning... buildings that lack natural light because the windows are yellowed with age... buildings where drinking water is unsafe. Baltimore students are learning in school buildings whose condition threatens their education.

## **The Need Is Great**

In early 2011, City Schools commissioned a comprehensive analysis of the condition of all of its buildings, how they are being used and the cost to modernize them. With this information and in partnership with individual school communities, the district then identified physical improvement needs and priorities, and developed recommendations for renovating and replacing buildings to bring them up to 21st-century standards.

Jacobs Project Management assessed all district-owned buildings and concluded the following:

- *The City Schools portfolio is old and out of date.* Twenty-three percent of buildings predate 1946; 74 percent were built between 1946 and 1985.
- *The City Schools portfolio is large.* Its buildings span 18 million square feet across 183 buildings on 163 school campuses.

- *The City Schools portfolio is in very poor condition.* The Facility Condition Index (FCI)—an industry and national standard for measuring the overall condition of a building or group of buildings, where the higher the percentage, the poorer the building condition—for the district as a whole is 60 percent, which according to Jacobs reflects “facilities in very poor condition.”
- *The City Schools portfolio is under utilized.* With the capacity to serve 121,302 students, the district serves 78,511 in its district-owned buildings; in other words, it uses 65 percent of its available space.

The Jacobs findings show that the overall condition of City Schools buildings is very poor, and point up the need for a public investment of large scope and scale in Baltimore City. Jacobs estimated it would cost \$2.452 billion simply to bring existing City Schools buildings up to minimally acceptable standards and to make lifecycle replacements to major systems (such as boilers and roofs) in those buildings; this estimate does not address the district’s under-utilization challenge and does not incorporate any new construction.

## A 10-Year Buildings Plan

On November 27, 2012, City Schools unveiled a 10-year buildings plan that includes 177 individual school building recommendations to be implemented over 10 years. These recommendations will transform the district physically and go a long way to furthering its academic transformation. With these recommendations, every City Schools building that remains open will be modernized, with 21st-century technology, natural light, clean air, appropriate temperatures and drinkable water. The plan will

- Renovate or replace 136 buildings
- Vacate 26 buildings, better aligning the size of the district portfolio with projected enrollment
- Increase City Schools’ overall utilization rate from 65 to 77 percent, placing it within the 75- to 90-percent range that experts consider ideal, according to Jacobs
- Place every student who goes to school in a district-owned building in a 21st-century learning environment

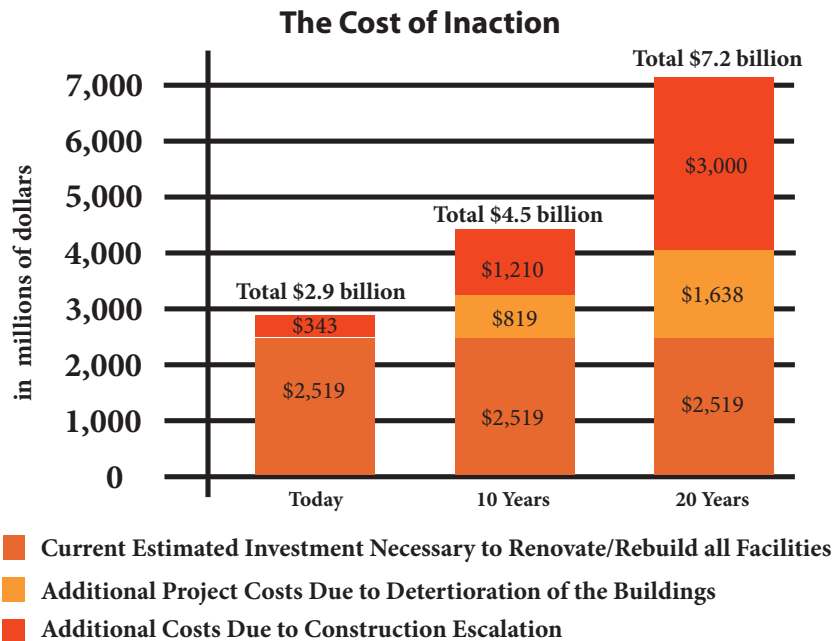
The district estimates this will cost \$2.413 billion if carried out over 10 years. This cost would necessarily be supplemented by costs to provide fixtures, furnishings and equipment to the buildings; construction escalation costs stemming from the 10-year duration of the construction program; and lifecycle replacements at current buildings before they are renovated or replaced and for the new and modernized buildings after they are completed. The sum of all these costs is incorporated in the funding strategy described in this document. Instead of bringing current buildings up to minimally acceptable standards as originally envisioned by Jacobs, the plan would close buildings and fully renovate or replace all remaining buildings in order to create an entire district of modern, 21st-century school buildings.

In the weeks following the release of City Schools’ proposed 10-year plan, members of the community attended some 160 school-level and district-wide meetings and public forums to learn about and discuss the recommendations in the plan. And at its January 8 public meeting, the Baltimore City Board of School Commissioners approved the plan, marking the first critical step on the path to implementation.

## The Time Is Now

City Schools is well positioned to support an overhaul of its buildings portfolio.

- The progress in City Schools has instilled a level of confidence in the district and a sense of urgency around district reform that has not existed for decades. With this, the public and the district’s partners have rallied to create unprecedented momentum for change.
- The current economic conditions have created historically low interest rates and construction costs, creating an ideal—yet narrow—window of opportunity for a large-scale capital investment in the district’s buildings portfolio.
- The groundwork for a substantial capital investment is laid. City Schools has completed a deep analysis of its buildings portfolio and worked closely with state, city and elected officials, as well as experts in the field, to develop a 10-year buildings plan. With the leadership of the mayor, Baltimore City has taken an important step in identifying revenue sources to support the plan, and the district and its partners have developed a funding strategy that is based on data and best practices and conforms to construction financing rules under state law.
- The cost of inaction is unacceptable. Each year, the cost of providing City Schools students with the buildings they deserve will go up. If action is taken now, the cost of upgrading City Schools buildings is \$2.413 billion. As the figure below shows, if the current approach is followed for another decade, the construction costs and upgrades required to give students the buildings they deserve would rise to \$4.5 billion in current dollars (based on the Maryland Department of Budget and Management recommended assumption of 4 percent annual construction cost increases), while in 20 years, the cost of upgrading the buildings would rise to over \$7 billion in current dollars.



*The current estimated \$2,519 million investment necessary to renovate/rebuild all facilities comprises the base cost of \$2,413 million plus \$106 million for furniture, fixtures and equipment. Total construction costs are taken from the 10-year plan; additional deterioration and lifecycle costs are taken from the Jacobs report. Construction cost escalation is assumed to be 4 percent, per state estimates.*

These factors underscore that the time is now for City Schools to take on a massive building modernization initiative. And for the first time ever, there is a clear and feasible strategy to transform all of the district's buildings into the 21st-century learning environments its students need and deserve.

## **Next Step: Legislative Action**

The next critical step is securing state approval of City Schools' proposed strategy for implementing the 10-year plan. This implementation strategy comprises plans for both funding and overseeing the construction and renovation activities related to the 10-year plan, and it lays out the benefits and opportunities within the plan, which extend well beyond Baltimore City and its schools.

During the 2013 session of the Maryland General Assembly, lawmakers will vote on legislation to

- Allow City Schools to receive the greater of \$32 million or 15 percent of state school construction as an annual block grant for 30 years, which the district can in turn leverage to sell bonds to support implementation of the plan
- Create an independent authority to oversee all aspects of the 10-year plan implementation, from issuing bonds to overseeing construction activity
- Permit the City to pledge the revenue from the new beverage container tax to school construction.
- Increase City Schools' statutory debt capacity from \$100 million to \$200 million

Baltimore City's mayor and state senators and delegates have identified securing this legislative approval as their top priority for the 2013 session. This priority comes amidst a broad and powerful sense of possibility that has taken hold for the first time in decades around the district's students and schools. A shared commitment to do what is best for Baltimore City's kids has emerged, along with an urgency rooted in the belief that they have waited too long for the education they deserve. State support of City Schools' 10-year plan implementation strategy is essential for current progress in the district to continue.



# — ■■■ PAYING FOR ■■■ — CITY SCHOOLS’ 10-YEAR PLAN

*“I have a 7-year-old who attends 2nd grade in Baltimore City, and I am a former teacher’s aide and student. Any time I can see still the leaky faucets and dripping ceilings from when I went to school—and I’m 32 now—that my son now sees...something is wrong with that picture. I like the work that [City Schools] has done academically, but our buildings need to match those achievements. It’s crazy to expect our kids to go to school in these buildings and come out as positive as we would like them to be.”*

—Nakeia Kelly, parent, Southwest Baltimore Charter School, 10-Year Plan Board Forum,  
December 19, 2012

During the 2012 legislative session, City Schools requested that lawmakers provide future state construction funds in the form of a block grant so that the district could have a reliable funding stream it could in turn use to raise upfront capital for construction. This request generated a range of legal, policy, fiscal and accountability considerations, so the legislature tasked the Interagency Committee on School Construction (IAC) with researching and producing a report to address these issues. The IAC appointed David Lever, executive director of the State of Maryland Public School Construction Program, to lead the effort, in partnership with the State Treasurer’s Office, Department of Budget and Management, Department of Legislative Services, Baltimore City, City Schools and community leaders and advocates, including the American Civil Liberties Union. On January 8, 2013, Dr. Lever submitted a report to the legislative committees entitled “Baltimore City: Public School Construction Program Block Grant Funding, A Report to the Legislative Committees” (the IAC Report).

The district collaborated closely on the IAC Report and used that work, along with practices followed in school districts across the country, to inform its proposal for funding and overseeing implementation of its 10-year plan. And the implementation strategy City Schools is now proposing aligns closely with the IAC Report to address feasibility, accountability and cost effectiveness.

## **Action Required: Establish a Block Grant Approach to Leverage Major Upfront Funding**

The current mechanism for securing capital funding for school construction projects allows for the occasional renovation of a school and a large number of small projects to improve specific

building systems. Capital funding for school construction in Maryland traditionally has been in the form of annual appropriations for specific, approved projects: The dollars have to be used on a given project in a given year. It is a process that state procedures and regulations, not state law, has established, and it has limited City Schools' ability to meet its capital needs. State law does allow for alternative forms of financing school capital projects, and City Schools has exercised this option twice in the recent past when it secured financing for the renovation of a building (an old garment factory) for the Baltimore Design School and guaranteed the loan to renovate—in exchange for eventual title to—the Baltimore Leadership School for Young Women.

“ The only way to pay for such a large-scale, accelerated buildings overhaul is to enable the district to leverage existing and predictable revenue streams to raise significant capital dollars upfront for construction. ”

But to modernize its entire buildings portfolio, City Schools must take such alternative financing much further. It must have predictable state revenue over an extended period of time and the flexibility to spend that money to support implementation of a larger, districtwide plan. Over the past five years, the district has received, on average, \$56 million in annual capital funding from the city and state. But it cannot address its demonstrated \$2.4+ billion in capital needs simply using this annual allocation. Both the Jacobs study commissioned by City Schools and the IAC Report assert that this piecemeal, band-aid approach is nowhere near adequate to correct City Schools' buildings crisis.

The large-scale buildings transformation the district needs requires intensive construction activity within a short period of time. And the only way to pay for such a large-scale, accelerated buildings overhaul is to leverage existing and predictable revenue streams to raise significant upfront capital for construction through the issuance of bonds, and to use these revenue streams to pay the debt service associated with such bonds.

To pay for the 10-year plan, City Schools proposes an alternative approach to the current system for funding capital school projects in Maryland, one that is based on delivering capital dollars as a block grant. If the state and city commit to providing City Schools with predictable, flexible, capital block grants, the district can use that funding to allow a third-party entity to raise upfront construction capital by issuing bonds. City Schools proposes to pay for construction costs using proceeds from those bond sales, and the state and city revenue streams would be tapped to pay back the outstanding bond debt over a 30-year period.

The block grant approach makes it possible for the district to use capital funds for a set of state-approved capital projects to build new or fully renovated schools (rather than for dozens of small projects) and provides bondholders with the confidence that their investment will be repaid.

This approach would allow City Schools to accelerate construction and maximize savings over time by

- *Raising significant funds upfront.* Based on a 30-year bond term at prevailing borrowing rates, each \$1 million of predictable revenue would leverage approximately \$16 million in bond funding, net of financing costs.

- *Embarking on an aggressive construction schedule.* With adequate upfront funding, City Schools could work on multiple projects at once, reducing the amount of time necessary to complete construction.
- *Minimizing construction costs.* The increase in construction costs over time, assumed by the state to be 4 percent per year, would outpace the \$56 million in annual construction funding City Schools currently receives. Shortening the timeframe for program completion reduces both inflation in the cost of construction and the cost of emergency investments for outdated buildings before they are replaced with efficient ones.
- *Reducing maintenance, utility costs.* As buildings get older and continue to deteriorate, the cost to maintain them increases. Replacing and modernizing buildings and closing 26 school buildings will reduce annual utility expenses by \$19 million. City Schools will save another \$13 million a year in maintenance, repair and overhead costs from the closure of the 26 school buildings.
- *Applying private sector best practices.* A block grant structure mirrors the private sector construction approach, where a portfolio of building projects rather than an individual project can generate management and budget efficiencies, such as volume pricing and overhead cost distribution.

## **City Schools’ Financial Plan: Funding Construction in Two Phases**

City Schools’ financial plan addresses the costs of construction and renovation laid out in its 10-year buildings plan, the costs of overseeing and managing implementation of the buildings plan, the costs of ongoing lifecycle investment requirements, the effect of these capital investments on City Schools’ operating budget and the impact of these investment needs on the incurrence of City Schools debt.

The estimated base cost of the 10-year plan is \$2.413 billion. Add in the cost of fixtures, furnishings and equipment for every renovated or replaced school building, and that cost rises to \$2.519 billion. And because the construction will occur over 10 years, the cost of construction will increase—due to inflation and construction cost escalation—to \$2.86 billion.

The 10-year plan implementation strategy divides funding for construction and renovation into two phases.

### ***Phase I***

Phase I begins in 2013-14 (FY2014) with a one-year planning and start-up period, followed by four years of construction. It will renovate or replace 65 buildings and cost an estimated \$1.147 billion.

Phase I will dramatically alter the physical landscape of City Schools. With Phase I, approximately 41 percent of the total construction and renovation program will be complete. The buildings in Phase I include the buildings that stand out because of their extremely poor condition, their very low utilization rates or their projections for extreme overcrowding. Phase I will include almost all of the proposed closure actions under the plan, which have the overall effect of increasing the district’s utilization rate from 65 to 77 percent—within the 75- to 90-percent range that experts consider ideal, according to Jacobs. Phase I will also result in significant savings in utility overhead and maintenance costs due to the closure of approximately 15 percent of the district’s buildings.

The table below displays the potential sources of capital funding for Phase I, which will be leveraged to raise additional revenue through the sale of bonds—state and city block grants, dedicated city taxes and city payments. (These are amounts proposed and assumed by City Schools, and are pending state and city approval.) These existing and expected revenue streams would provide annual funding of \$69 million and include video- and table-gaming taxes, as well as Baltimore City’s new beverage container tax, a dedicated funding source the city’s mayor championed specifically to help pay for new school buildings. These three new, anticipated sources would kick in for the first time next year and bring the district’s current annual construction allocation of \$56 million up to \$69 million. These annual revenues will be pledged for 30 years to make installment purchase payments or bond debt service payments. Assuming current market rates, City Schools’ financial advisor, Public Resources Advisory Group, estimates that these revenue streams would raise \$1.101 billion, net of financing costs, for Phase I of the construction and renovation program.

Capital Source of Funds for Phase I	Annual Amount Received and Pledged*	Amount Leveraged from Pledged Revenues*	Amount for Direct Construction Expenditures*	Total Phase I Funds*
State capital block grant	\$32	\$510	—	\$510
Historic city capital contribution	\$17	\$271	—	\$271
Beverage container tax	\$8	\$128	—	\$128
Video-gaming tax	\$2	\$32	—	\$32
Table-gaming tax	\$3	\$48	—	\$48
Capital generated by city retirement payments	\$7	\$112	—	\$112
Fundraising program	—	—	\$30	\$30
Other revenues and interest earnings	—	—	\$16	\$16
<b>TOTAL</b>	<b>\$69</b>	<b>\$1,101</b>	<b>\$46</b>	<b>\$1,147</b>

\*Dollar amounts in millions

The remaining construction and renovation costs for Phase I, in the amount of \$46 million, will be supported by interest earned on bond proceeds and reserve funds, capital funds carried over from 2013-14 state and city allocations (under the current funding mechanism) and a fundraising program from foundations, corporations and City Schools alumni. This \$46 million in supplementary income streams will not be leveraged but will be used instead for direct construction expenditures. Combined with the bond proceeds, these sources bring total Phase I funding to \$1.147 billion, as detailed in the table.

## Phase II

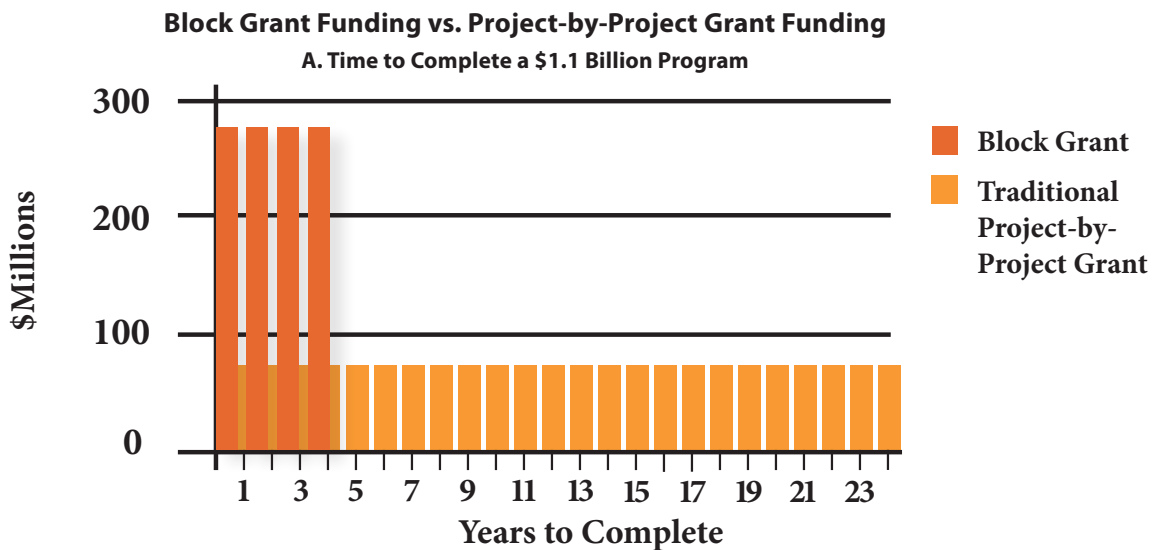
Phase II runs from 2018-19 (FY2019) through 2023-24 (FY2024) and will renovate or replace 71 buildings and cost approximately \$1.715 billion.

Phase II construction will be funded with \$100 million in annual dedicated funds from several sources, including operating efficiencies, annual lease income and new annual revenue streams. Combined, these revenue sources will be used to leverage upfront capital dollars. Public Resources Advisory Group estimates that if these revenues are realized, they will generate \$1.572 billion in upfront capital funds. For example, City Schools projects it will use \$18 million a year in utility savings to leverage \$257 million in upfront capital funding. The \$1.572 billion that these new revenue streams collectively leverage will in turn be rounded out by \$143 million in additional one-time funds to support the \$1.715 billion needed to complete Phase II. These one-time funds would not be used to leverage additional revenue but would be used as direct contributions for capital expenditures. A task force with representation from City Schools, the state, the city and the larger community will be established to thoroughly research potential options and identify appropriate new revenue streams for Phase II.

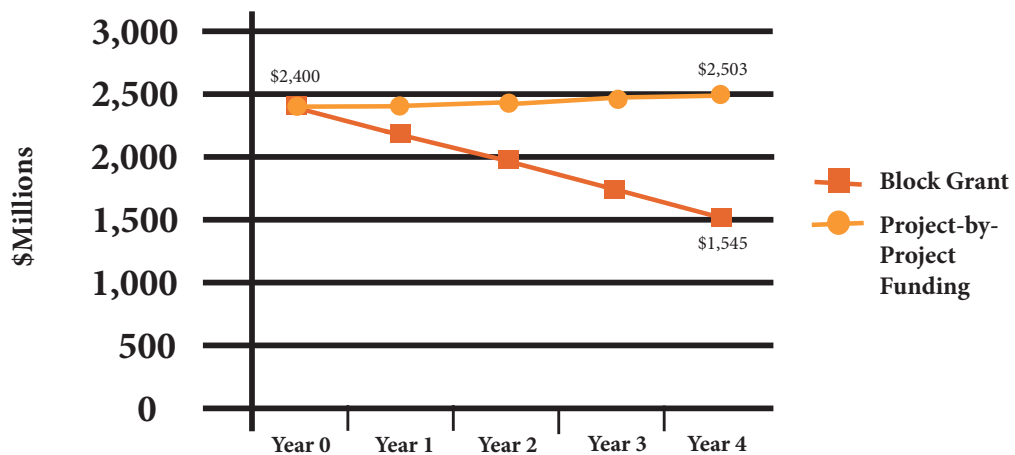
## City Schools' Funding Strategy: A Smarter, More Efficient Use of Public Funds

The figures below show a further comparison of City Schools' current means of funding capital projects and the district's proposed block grant financing approach. Figure A shows that, under the block grant financing approach, City Schools' Phase I construction need would be funded in four years, while under the traditional project-by-project grant funding structure, City Schools' Phase I construction need would be funded in 24 years.

Figure B shows City Schools' net capital funding needs, under the block grant financing and traditional grant structures, after four years of spending. Using a capital program size equivalent to City Schools' base capital program, annual spending of \$286 million and a construction cost escalation rate of 4 percent, the chart shows that under the block grant financing approach, City Schools' total construction need would be reduced significantly from \$2.4 billion to \$1.5 billion after the first four years of spending. Under the current funding system, the total need actually increases over the same time period to \$2.5 billion, due to construction cost escalation.



**B. Remaining Construction Investment Required after Four Years of Capital Spending**



The construction funding City Schools receives from the state and city under its current funding system does not reduce the district's \$2.4 billion need to provide students with 21st-century buildings. The buildings are steadily deteriorating, and costs to improve them are rising more quickly than the necessary repairs can be carried out. On the other hand, by using the same level of school construction funding but leveraging it to provide additional upfront dollars, City Schools can address the outstanding need to build new and fully renovated schools.

### **Action Required: Increase City Schools' Debt Capacity to Support Lifecycle Investments**

While construction is underway, capital investments will be required to be made in buildings before they are scheduled for renovation or replacement, so they can continue to operate. For example, a building scheduled for renovation in Year 8 may require a new boiler in Year 3. In addition, after buildings are brought up to 21st-century standards through the 10-year plan renovations or replacements, they will continue to require ongoing lifecycle investments in subsequent years to keep them up to standards. These lifecycle capital investments will be funded partially through the use of the City Schools' internal debt capacity.

The amount of debt City Schools can incur subject to state debt limits is currently \$100 million. To provide sufficient capital to support a modern infrastructure, City Schools seeks to increase this statutory debt capacity to \$200 million—an amount that keeps district debt service well within limits established by the Board of School Commissioners.

City Schools' financial plan assumes that \$161 million in City Schools bond revenue will be used solely for the ongoing capital needs noted above, and will not be used for the 10-year construction and renovation program. Use of this increased debt capacity plays an important role in helping the district cover future lifecycle costs and ensures that City Schools can protect the quality and value of its school buildings over the long term.



# — ■■■ OVERSEEING ■■■ — CITY SCHOOLS’ 10-YEAR PLAN

*“The Achilles heel in our school is the heating system. My library has become a sauna, and the transition from cold to hot classrooms has taken a toll on our students’ health. While reading a book to a kindergarten class the other day, two students, within minutes of each other, were rushed to the nurse with gushing nosebleeds due to the dry heat. And last week, a first grader raised her hand during a story and asked me why her armpits were leaking water. It was funny to try to explain sweat to six-year-olds, but our children deserve better than this.”*

—Terra Hiltner, part-time librarian, Roots and Branches School, 10-Year Plan Board Forum, December 19, 2012

Just as implementation of City Schools’ 10-year buildings plan requires an alternative funding approach, it also requires an alternative oversight structure.

## **Action Required: Establish an Independent Authority to Maximize Oversight, Accountability**

This implementation strategy represents a significant shift in how City Schools currently approaches its capital program. To carry out financing for the 10-year buildings plan, to ensure maximum efficiency and accountability in its implementation and, perhaps most important, to establish independent oversight of plan implementation, City Schools is proposing the creation of a third-party entity, the Baltimore City School Construction Authority (the Authority). Such a structure provides appropriate independence, provides a high level of transparency, uses a variety of checks and balances to ensure quality and effective use of public funds, and minimizes bureaucratic duplication by leveraging and streamlining existing expertise and capacities. The basic role and relationships of the Authority are summarized in the figure on the next page.

Broadly, the Authority

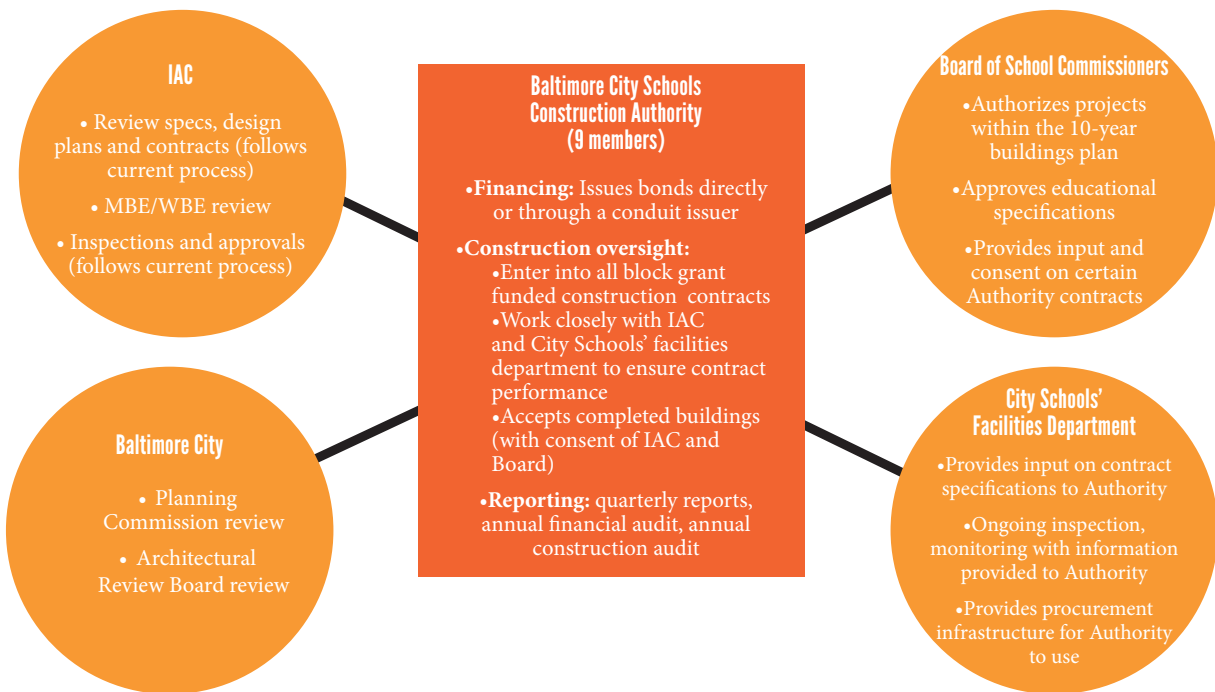
- Will assume the responsibility and risks associated with the financing transactions required to fund the 10-year buildings plan, relieving the state, city and City Schools of the debt burden
- Will be empowered to procure program management, construction management and other professional services from the private sector to implement the 10-year plan
- If and where possible, will have the flexibility to enter into public-private partnerships to harness the resources and expertise of private industry

- Will provide construction and renovation program oversight and accountability, ensuring that IAC, city and City Schools construction, financing, audit and reporting standards are met

More specifically, the Authority

- Will receive the block grants and dedicated tax revenues and payments from the state and the city through a selected trustee
- Will coordinate the financing of the portion of the construction that is funded by block grants, dedicated tax revenue streams and other pledged City Schools' revenues
- May issue bonds directly or through a conduit issuer on a periodic basis to fund a portion of the construction program as set forth in the 10-year plan adopted by the Baltimore City Board of School Commissioners
- Will manage the expenditure of capital funds, including any bond proceeds, to ensure that these funds are properly spent to implement the 10-year plan
- Will approve all construction contracts
- Will monitor the efforts of contractors to ensure that construction is undertaken and finished in accordance with IAC policies and procedure

### School Construction Authority: Roles and Relationships





- Will provide quarterly reports to the state, city and City Schools on the receipt, expenditure and investment of capital and operating funds and on the progress of the construction within the timeframes established by the 10-year plan
- Will provide an annual financial audit performed by an independent public accounting firm and an annual construction audit performed by an independent private company with expertise in such audits

In order to ensure that the Authority is independent and fairly represents all parties in critical building decisions, it will have a board with nine members:

- Three appointed by the governor, one of whom must be a member of the IAC
- Three appointed by the mayor of Baltimore City, one of whom must have expertise in finance
- Three appointed by the Baltimore City Board of School Commissioners, two of whom must have expertise in the fields of architecture, engineering, finance, banking or construction

A chairperson will be selected from among the nine members.

# — ■ AN IMPLEMENTATION STRATEGY THAT IS LEGAL AND FEASIBLE ■ —

*“We’ve gotten new roofs here, windows here and there and maybe new heating and cooling systems that were sprinkled throughout our school system. But all of these were placed in outdated, unacceptable buildings.”*

—Shannen Coleman, community member, 10-Year Plan Board Forum, December 19, 2012

The implementation strategy summarized in the preceding text and laid out in detail in this document, represents a feasible, legally sound, best practices–based and prudent approach to paying for and overseeing implementation of City Schools’ 10-year plan.

In its January 2013 report, the IAC noted, “The work group believes that it is both legally possible and feasible for the State to provide funding in the form of a block grant in order to leverage capital funds from a third party issuer for capital improvements within a school district in Maryland” and “The financing structure that has been proposed by City Schools in collaboration with the City envisions a Baltimore City Schools Building Authority established through State legislative action.”

The block grant approach City Schools proposes in its 10-year plan implementation strategy is already legal under Maryland law. In the past decade, the General Assembly has put in place provisions for alternative financing to provide flexibility for the state and local jurisdictions in addressing school building needs. The Office of the Attorney General has determined that there is no barrier in state law to making capital funds available to local educational authorities in the form of block grants.

Additionally, a block grant approach, if properly structured, would not affect the state’s bond rating and debt affordability (the amount it costs the state to issue bonds). The IAC Report states,

In the view of the workgroup, the Authority as a third party entity that issues bonds, either directly or through a conduit issuer, will have sufficient distance from both the State and the City so that its debt will not be construed as debt of either government. Consequently, the workgroup believes that this structure would preserve the tax exempt status of bonds issued by the State and the City and will not impair either the bond rating or the debt affordability of either government.

The IAC Report goes on to state, “Precedent indicates that the State can have a high level of confidence that third party bond issuer financing methods can be designed to avoid a negative impact on the State (or the City) bond rating, on its debt affordability calculations, or on the tax exempt status of its bonds.”

Finally, City Schools' 10-year plan implementation strategy aligns with many of the criteria articulated in the IAC Report:

- Under the City Schools 10-year plan and implementation strategy, adequate staff positions to manage the program will be approved and funded before the funds are released or the third-party bonds are issued.
- The role of the IAC and the city within the City Schools program will be positively affirmed through binding agreements that will govern the responsibilities and the actions of all parties.
- The construction schedules of the specific projects identified in the 10-year plan will align with both the block grant allocation by the state and the issuance of bonds by the third-party entity
- City Schools has already presented a plan for closure of school buildings in order to better utilize its school capacity.

The IAC Report concludes, "The workgroup members believe that the block grant funding/third party issuer structure proposed by Baltimore City Public Schools to accomplish a 10-year transformation of City Schools facilities can be designed in a legally sound manner, and precedent in other parts of the United States, for example Greenville, South Carolina, suggests that it can be successful for an individual jurisdiction."

# — ■ AN IMPLEMENTATION STRATEGY THAT BENEFITS BALTIMORE —AND BEYOND ■ —

*“In order to maintain our planned trajectory of cultivating 21st-century global citizens, we need a newer facility with more tech-savvy ability that includes more green spaces and playing fields for our children.”*

—Kimberly Moffitt, member, Thomas Jefferson Elementary School PTA, 10-Year Plan Board Forum, December 19, 2012

## **A More Effective Way to Spend Taxpayer Dollars**

The IAC Report states that “there is a great need for school facility improvement in Baltimore City, and a well-conceived, well-managed, and accelerated school construction program would provide a clear benefit to generations of students and communities.”

The block grant approach is a way of using taxpayer dollars more effectively to address in a meaningful way City Schools’ severe buildings challenges. The legislation does not seek more funding than City Schools has received historically. Since FY2007, annual state funding for school construction has amounted to or exceeded \$250 million. Over this period, the state has provided an average of \$37 million to City Schools each year. The proposed legislation seeks a commitment of \$32 million a year in state capital funding for City Schools—less than the average annual amount the district has received—or 15 percent of the state school construction budget, whichever is greater. Given the strong statewide support for growing the state school construction program, City Schools’ 10-year buildings plan is very unlikely to negatively affect school construction funding for other jurisdictions.

As Baltimore City’s school buildings continue to age and deteriorate under the current approach, there is a real risk that increasing basic health and safety needs may crowd out other priorities under the state school construction program. By addressing these potentially critical conditions proactively, this plan can help to protect the state school construction program’s ability to address school construction needs in all jurisdictions. In addition, the IAC Report states that “the experience that City Schools will attain in the execution of the 10-year plan will be of invaluable assistance to other [districts] that may consider using the same methodology.”

## **An Economic Boon for City, State**

City Schools’ 10-year buildings plan and implementation strategy also is projected to generate significant economic impact for the city, region and state.

Implementation of the plan is estimated to generate \$2.56 billion in direct spending as a result of capital expenditures, \$1.96 billion of that in Baltimore City and \$2.114 billion of that in Maryland. This in turn would result in the creation of \$2.7 billion in earnings and 58,562 jobs in the state, with \$378 million in earnings and 7,796 new jobs for Baltimore City. The construction and renovation program is projected to generate approximately \$180 million in state and city income and sales tax revenues.

**Estimated Economic Impact of City Schools’ 10-Year Plan**

<b>Baltimore</b>	
Jobs	7,795
Direct spending	\$1,959,000,000
Indirect/induced spending	\$691,000,000
Earnings	\$378,000,000
<b>Maryland</b>	
Jobs	58,562
Direct spending	\$2,114,000,000
Indirect/induced spending	\$2,157,000,000
Earnings	\$2,711,000,000

## A Key to Maintaining Maryland’s No. 1 Status

The improved performance of Baltimore City students, supported by City Schools’ 10-year buildings plan, affects all of Maryland. The district’s progress over the past five years has been a key driver of Maryland’s nation-leading performance as a state educational system, and implementation of its 10-year plan is critical to continuing that progress.

For more information on City Schools’ 10-year buildings plan and implementation strategy, please see the 21st-Century Buildings for Our Kids section on City Schools’ website.

***“If football teams can play in modern day palaces, if corporations can build glass temples, if politicians can work in relative wood-panel splendor, then our children should be able to learn in bright, safe and well-maintained buildings. All of our children, all the time.”***

—John McGill, community member, 10-Year Plan Board Forum, December 19, 2012





For more about Baltimore City Public Schools' 21st-Century Buildings for Our Kids initiative,  
visit [www.baltimorecityschools.org/betterbuildings](http://www.baltimorecityschools.org/betterbuildings)

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