SCHOOLS (K-12)

Grade: C-

Overview

Capital funding needs for Maine schools exceed what is currently allocated through the two primary state funding programs. The state forecasts that during the period of 2005 to 2026, needed funding from existing and new bonds is approximately $1.6 billion. Current funding levels result in a projected 20-year gap of $600 million. Less than half of priority health and safety project requests have been funded over the past 6 years.

Introduction and Background

Maine has 710 public schools with an enrollment of approximately 210,000 pupils. Enrollment statewide is projected to decrease 10.4% between October 2005 and October 2014. Enrollment in the more populous counties (York and Cumberland) is projected to decrease less than 5% during this same period. The shrinking student population can be attributed to the state having the nation's oldest median age and eighth-lowest birth rate.[1] Maine's school facilities have been historically evaluated by various state appointed Task Forces[2] or academic research institutions.[3] School systems operational funding is provided by three primary sources: local (approximately 47%), state (approximately 46%) and the federal (approximately 8%) governments. The schools in Maine are rurally located in the same manner as the populations they serve.

Condition and Adequacy

When referring to the components of school infrastructure, these are generally referred to as facilities. School facilities inherently rely on many infrastructure components to operate, both directly and indirectly. These include water supply (potable and fire protection), wastewater disposal, transportation and energy. Operational and building infrastructure, in particular indoor air quality, has a direct impact on health. Due to the rural nature of many schools common public utilities are often not available to serve individual schools and these schools must rely on private infrastructure systems to support the operation of the school. This is most prevalent with drinking water and wastewater disposal systems. The more rural districts often have high operational costs attributable to the extensive transportation required to accommodate students.

Individual analysis of school facilities would be a daunting task and require extensive resources as well as a comprehensive rating system. To address this challenge, the Maine State Legislature passed LD 2252 - An Act to Implement the Recommendations of the Governor's Commission on School Facilities in 1998, which authorized the Maine Department of Education (Maine DOE) to require school units to develop and implement a maintenance and capital improvement program for school buildings. The Maine DOE has provided extensive assistance to schools, both technically and financially. The byproduct of that is a Capital Asset Management (CAM) database.

The CAM database was generated by data provided by the school administrative units for asset management and planning purposes. The Maine DOE reports that 52% of school administrative units have participated in the CAM database. The CAM database uses a Facility Condition Index (FCI), which is an industry standard for measurement of the relative condition of assets. The FCI is obtained by looking at the cost to bring an asset into good condition

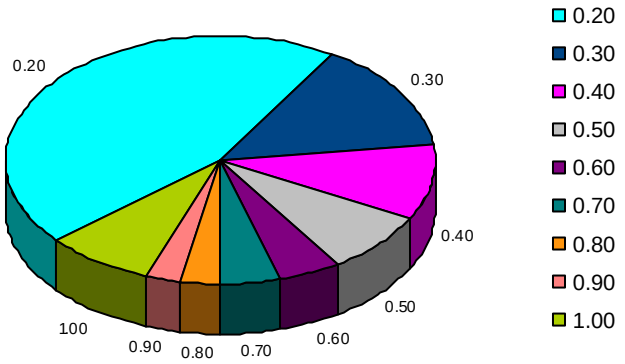
[1] *Sun Journal* article dated September 3, 2008 quoting David Connerty-Marin, Maine Department of Education
[2] 1998 Governor's School Facilities Commission Task Force
[3] 1997 - University of Maine review of Summary of Inventory of School Repairs

and dividing that cost by the current replacement cost of the asset, the resultant is the FCI. The higher the FCI ratio, the poorer the condition of the asset. An FCI of 1.0 or over identifies an asset that has exceeded its useful life and should be replaced.

The Maine DOE requires that all deficiency requirements be used in the calculation of the FCI regardless of the timing of the necessity. Short-term and long-term requirements are grouped together. The Maine DOE School Facilities Program Review identified the presence of 20,717 records in the CAM database. Of the schools in the CAM database, 90.4% had an FCI of 1.0 or less. The balance had an FCI of greater than 1.0 (9.6% of the schools in the CAM database).

The pie chart depicts the FCI distribution within the CAM database of records having an FCI less than 1.0. As can be seen from the pie chart, approximately 45% of the records have an FCI of 0.20 or less, which is considered in "good condition" by the Maine DOE. Of the total records in the CAM database (including those with an FCI greater than 1.0), approximately 55% of these records have an FCI greater than 0.5, which indicates these are in need of attention.

Chart 1: FCI Distribution within CAM Database



Issues of primary concern represent 35% of records in the database with an associated cost totaling $236 million. The balances of the corrective measures are likely to require implementation in the immediate to near future, thus there is an anticipated future need of $423 million.

While the CAM database yields the most comprehensive assessment of facility needs and is a good planning tool, only 52% of the school administrative units participated in its development and, thus, other aspects should be evaluated in consideration of the condition of Maine schools. Another mechanism to understand school needs is to review applications for school facility upgrades, either through renovation or major capital construction projects.

Investment Needs

In 1999, the School Revolving Renovation Fund (SRRF) was created by the Maine State Legislature to provide funding through loans or grants that would contribute to safe, healthy and adequate school facilities.[4] The SRRF has the major categories:

- **Priority 1**. This category is limited to health and safety projects. Specifically, Priority 1 addresses roofs, Americans with Disabilities Act compliance, air quality, asbestos and other health and safety issues.
- **Priority 2.** This category covers projects that are not health and safety related. These include infrastructure issues, windows, doors, water and septic systems.
- **Priority 3.** This category is limited to the upgrade of learning space and small capital projects.

[4] *A Review of School Facilities Programs and Analysis of School Facility Needs*, Maine Department of Education, March 2006

As of 2006, there were 832 requests for SRRF projects. Of these requests 710 were Priority 1, 92 were Priority 2 and 30 were Priority 3. Of the 710 Priority 1 requests, 316 (45%) totaling just under $91 million were funded. Of the 92 Priority 2 requests, 24 (26%) totaling $10 million were selected. Of the 30 Priority 3 requests, 15 (50%) were selected and totaled $16 million. Since 1999, the SRRF program has only funded 43% of the requests. The SRRF is an insufficient mechanism in funding school infrastructure needs.

Between 1999 and 2006 the SRRF, program funded $117 million out of $237 million of requests; this represents a funding level of slightly over 49% of the monetary needs during that time frame. Continuation of this trend suggests that the current infrastructure deficiencies are not getting adequate funding and, thus, will burden the school administrative unit with deficient facilities.

Major capital construction projects generally involve new school facility construction. Selection for this is a rigorous process. In addition to selecting the projects, the Maine DOE has strict site selection requirements. The current selection process format has been in place since 1999 and has gone through three rating cycles between 1999 and 2005. Projects are ranked by the Maine DOE and presented to the Maine State Board of Education for funding approval. During the three funding cycles, approximately $478 million dollars of projects were funded, representing the state and local allocation. In 2005, the average project cost was approximately $17 million.

During this period, 228 applications were received and rated. As of 2006, 48 projects had been funded. Of the 48 funded projects, 13 have been funded without state subsidy. During this three cycle process, of the 228 total applications, 128 applications were first time applications and 100 applications were repeat applications. As of 2006, there were 66 projects that remain unfunded with the potential for additional project applications in the future; future cost for these projects is unpredictable at this time. Should the average cost of $17 million per project remain (ignoring inflation), the potential outstanding needs in 2005 dollars could exceed a billion dollars.

Conclusions and Recommendations

The cost of construction in the past four years has exceeded any typical planning forecasts and thus, the ability to fund the same number or more projects will require further increases in the available funding for these projects. The Maine Legislature has made strides in passing legislation which empowers the Maine DOE to mandate certain facility and asset management reporting, which has provided a means for assessing the infrastructure (CAM database). Only 45% of priority health and safety project requests have been funded. The required level of needs identified exceeds what is currently allocated through the two primary means of dealing with school infrastructure: the SRRF and Major Capital Projects program.

The Maine DOE reports that during the period of 2005 to 2026, the total of existing and new bonds needed is approximately $1.6 billion. Current funding levels would result in a gap of $600 million.

Many new school facilities are designed to consolidate resources and facilities, so many substandard and aging facilities are often addressed through the implementation of a Major Capital Projects (building of a new school replaces two older facilities, for example). The recently passed school merger law will likely further consolidate facilities which should further address areas of deficiency. Maine ASCE gives schools a grade of **C-**.

Maine ASCE provides the following recommendations:

- Increase school participation in the utilization of the CAM software for assessing and managing infrastructure needs;
- Establish a mechanism to more frequently evaluate construction cost increases and provide a summary of necessary changes to debt service levels to coincide with these increases so that infrastructure project funding does not fall behind;

- Emphasize effective management and maintenance of existing facilities since the funding levels for new projects are unlikely to increase with the pace of escalating construction costs;
- Prepare and submit annual reports on the state of the school system, which highlight achievements, outstanding funding requests, anticipated funding needs and completed projects; and
- Increase the bond cap to match the rate of construction inflation. This supplemental funding to match inflation should be allocated to funding outstanding health and safety projects in the School Revolving Renovation Fund.

Sources:

- 1998 Governor's School Facilities Commission Task Force
- 1997 - University of Maine review of Summary of Inventory of School Repairs
- *A Review of School Facilities Programs and Analysis of School Facility Needs*, Maine Department of Education, March 2006