

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
CONSTRUCTION AND RENOVATION
PROGRAMS**

**PERFORMANCE AUDIT REPORT
SEPTEMBER 2001**

To The Fiscal Committee Of The General Court:

We have conducted an audit of the Department of Education's school construction and renovation programs to address the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee. We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such procedures as we considered necessary in the circumstances.

The purpose of the audit was to evaluate school building construction and renovation programs administered by the Department of Education and make recommendations to improve their efficiency and effectiveness. The audit period encompassed the six-year period from fiscal year 1995 through fiscal year 2000.

This report is the result of our evaluation of the information noted above and is intended solely for the information of the management of the Department of Education and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Fiscal Committee is a matter of public record.

Office Of Legislative Budget Assistant

Office Of Legislative Budget Assistant

September 2001

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
CONSTRUCTION AND RENOVATION PROGRAMS**

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ABBREVIATIONS

ADA	Americans with Disabilities Act
AREA	Authorized Regional Enrollment Area
BOCA	Building Officials And Code Administrators
CT	Connecticut
MA	Massachusetts
ME	Maine
NH	New Hampshire
RI	Rhode Island
SAU	School Administrative Unit
VT	Vermont

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
CONSTRUCTION AND RENOVATION PROGRAMS**

SUMMARY

Purpose And Scope Of Audit

This audit was performed at the request of the Fiscal Committee of the General Court consistent with the recommendation of the joint Legislative Performance Audit and Oversight Committee. It was conducted in accordance with generally accepted government auditing standards. This report describes and analyzes school construction and renovation programs administered by the Department of Education for fiscal years 1995 through 2000. The issues we focused on primarily addressed whether the department's management practices promoted efficient and effective operation of the State's school construction and renovation programs.

Background

This audit examined the school building aid program and the regional vocational center construction and renovation program. An additional program, the kindergarten construction program was due to expire in 2002, but has been extended to 2004.

School Building Aid

The school building aid program assists school districts by providing annual grants to districts complying with State requirements. RSA 198:15-b authorizes grants ranging from 30 to 55 percent of the principal costs of school construction or the purchase of school buildings. Interest costs are not reimbursed. In addition to borrowed funds, project financing may include capital reserves or appropriations raised through taxation.

A single school district may receive a grant of 30 percent of construction or renovation costs. Cooperative districts start at a rate of 40 percent and add an additional five percent for every pre-existing district in excess of two, with a ceiling of 55 percent. Cooperative districts are two or more school districts joined together to own and operate schools. Authorized Regional Enrollment Area (AREA) schools start with a base of 40 percent and add an extra five percent for each 'sending' district in excess of one, with a ceiling of 55 percent. AREA schools take students from other districts in their authorized region on a tuition basis. School administrative unit (SAU) office buildings are reimbursed at a rate of 40 percent of construction costs. Figure 1 shows the proportion of school building aid projects at each aid level during the audit period. Of the 229 projects, 149 projects received 30 percent aid, while 36 projects received 55 percent aid.

A review of school building aid project files where the first grant payment was made between fiscal years 1995 and 2000 showed ten elementary schools, two middle/junior high schools, and six high schools were built. Among the remaining projects, additions or renovations were made at 129 elementary schools, 29 junior high/middle schools, and 39 high schools. These included 35 kindergarten projects. Also, 11 SAU offices were either built or renovated. Figure 2 shows the types of school building aid projects during the audit

Background (Continued)

period. Eighty-six percent (197 projects) of the school building aid projects were renovation and addition projects, while eight percent (18 projects) were new school construction projects. The remaining six percent (14 projects) were SAU construction, renovation, or addition projects, or land or equipment purchases.

Figure 1

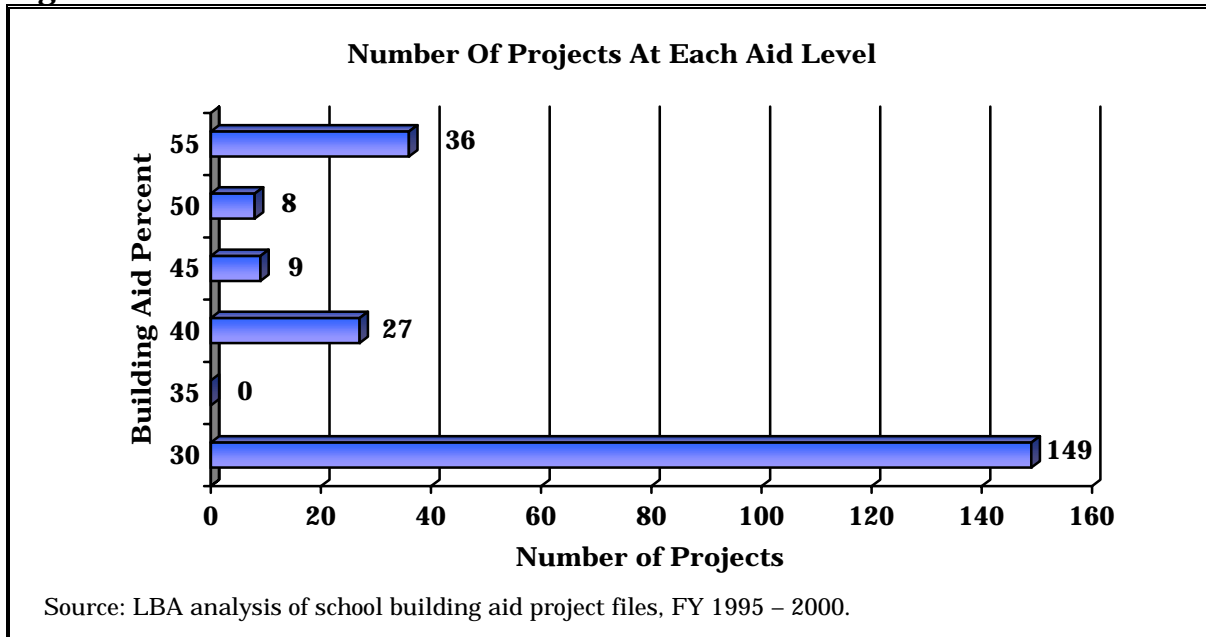
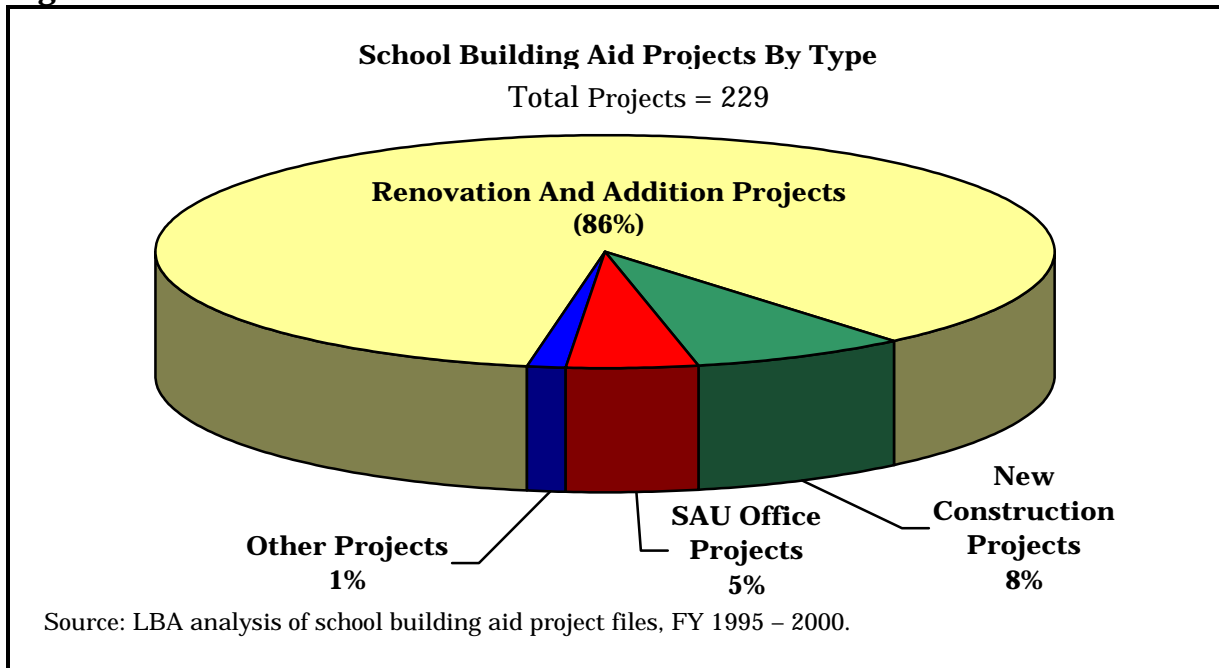


Figure 2



Background (Continued)

During the seven-year period from fiscal years 1995 through 2001, \$121,146,501 was expended by the State on school building aid to local school districts. School building aid grants are funded by the General Fund. RSA 198:15-e states that in the event of a shortfall in appropriated funds in a given year, the available appropriation will be prorated proportionally among the eligible districts. However, there were no funding shortfalls during the audit period.

Regional Vocational Center Construction And Renovation

The commissioner of the Department of Education is required by RSA 188-E:3 to make grants available to designated regional vocational centers for the construction of vocational education facilities or the renovation of existing centers. This statute also states site work, parking lots, and related areas are the responsibility of the local community. Reimbursement for these costs may be requested through the school building aid program.

A total of \$85 million has been appropriated to the Capital Fund for the construction and renovation of regional vocational education facilities since the beginning of the program in 1973. Appropriations have grown steadily since 1973 as each new facility was approved. In 1973, the total amount appropriated for the program was \$3.5 million. The appropriation made under RSA 188-E:10 was periodically amended to reflect new vocational education projects approved by the Department of Education. As of June 30, 2001, approximately \$84.3 million was expended of the \$85 million appropriated. Effective June 21, 2000, RSA 188-E:10 was repealed and reenacted to support the funding of the regional vocational education centers within the capital budget or legislative funding process. If criteria are met, the State will fund not less than 75 percent of the cost of an approved project. Payments are made periodically on a reimbursement basis throughout construction.

Results In Brief

We provided the Department of Education a total of 20 observations and recommendations. Six observations addressed compliance with State statutes or administrative rules, three observations concerned project costs and payment issues, and 11 observations pertained to management practices. We believe the department can improve the efficiency and effectiveness of its school construction and renovations programs by implementing these recommendations.

Programs Not Operating In Compliance With State Statutes And Administrative Rules

The department should ensure its school construction and renovation programs comply with all appropriate State laws and administrative rules. We found school construction and renovation practices did not conform to State statutes and administrative rules regarding project approvals, payment schedules, debt limitations, and requirements for ensuring State Fire Marshal project review.

Results In Brief (Continued)

Insufficient Controls Over Project Costs And Payments

The department needs to improve its controls over school construction and renovation project payments, including payment accuracy, verification and documentation of project costs, and supervisory review of the documents used to determine aid payments. We found the department needs to ensure accurate payments are made to school districts based on final documented project costs rather than preliminary estimates.

Inadequate Management Practices

The department needs to improve the management practices used in its school construction and renovation programs. We found areas requiring the department's attention: four issues require improving or creating written policies and procedures and another four issues require improvements of written materials and guidance to school districts utilizing school building aid. The remaining observations address management issues including better coordination of program functions, data collection, and other needed improvements.

**STATE OF NEW HAMPSHIRE
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RECOMMENDATION SUMMARY

OBSERVATION NUMBER	PAGE	LEGISLATIVE ACTION REQUIRED	RECOMMENDATION	AGENCY RESPONSE
1	21	No	Approve projects only when in compliance with RSA 198:15-b.	Do Not Concur
2	23	No	Make school building aid payments only after all final forms are submitted and approved.	Concur In Part
3	25	No	State Board of Education should determine whether it should review and approve school building aid projects.	Concur
4	27	No	School building aid payments should be made annually as required by statute and administrative rules or the Department of Education should seek amendments to the law and its rules.	Concur
5	27	No	Written documentation of State Fire Marshal project approval should be required before school building aid project approval is granted.	DOE: Concur FM: Concur In Part
6	30	No	School debt information should be sought through the application process.	Concur In Part

Agency Legend: DOE – Department of Education, FM – State Fire Marshal

Recommendation Summary (Continued)

OBSERVATION NUMBER	PAGE	LEGISLATIVE ACTION REQUIRED	RECOMMENDATION	AGENCY RESPONSE
7	31	No	School building aid control cards should be based only on final project costs. All current projects receiving aid should be examined to determine whether final forms have been submitted, control cards are based on final costs, and school districts are receiving accurate payments.	Concur In Part
8	34	No	Administrative rules should be promulgated requiring school districts to accumulate, maintain, and submit documentation supporting claimed school construction and renovation project costs for audit by the department.	Concur In Part
9	35	No	The school building aid administrator should review each control card for accuracy and approval. A computerized database should be considered to automatically calculate payments based upon project costs.	Concur
10	38	Yes	Consider amending RSA 198:15-c to require a cost limit for new construction projects. If amended, the department should change its administrative rules reflecting this change.	Concur
11	40	No	Develop and adopt administrative rules clearly defining what constitutes substantial renovations. Provide guidance to applicants in conducting analysis to determine the cost effectiveness of renovation versus replacement.	Concur
12	41	No	The Division of Adult Learning and Rehabilitation should establish a standardized file organization.	Concur

Recommendation Summary (Continued)

OBSERVATION NUMBER	PAGE	LEGISLATIVE ACTION REQUIRED	RECOMMENDATION	AGENCY RESPONSE
13	42	No	Adopt administrative rules reflecting changes to RSA 188-E:10 related to regional vocational center renovations.	Concur
14	43	No	Coordinate all construction and renovation programs and revise administrative rules reflecting this change as necessary.	Concur
15	45	No	Purchase the latest version of AutoCAD for use in evaluating school building aid project designs and revise administrative rules reflecting this change as necessary.	Concur
16	46	No	Review and revise the State's <i>Manual for Planning and Construction of School Buildings</i> to reflect procedures, statutes, and rules used in the school building aid program.	Concur
17	48	No	Evaluate school building aid forms and make necessary changes based on applicable laws, administrative rules, and processes. Instructions should be developed and distributed with the forms. Consider offering internet-based forms with electronic submission.	Concur
18	49	No	Identify model educational specifications and make them available to school districts.	Concur In Part
19	51	No	Develop and conduct periodic workshops to school district personnel regarding the school building aid program.	Concur
20	52	No	Collect school building data on a continuing basis. Consider a biennial survey of school districts to ascertain their future school building construction and renovation plans.	Concur

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INTRODUCTORY SECTION

In February 2000, the Fiscal Committee of the General Court approved a recommendation made by the joint Legislative Performance Audit and Oversight Committee for a performance audit of the Department of Education's school building aid program. The audit scope was expanded to examine organizational issues regarding the department's regional vocational center construction and renovation program.

1.1 Overview

During the last half of the twentieth century, states have assumed a larger financial role in constructing public school buildings. School construction costs have historically been the responsibility of local government. Until the 1940s, only 12 states provided financial support for school construction. The need for more classroom space during the baby boom years along with surplus revenues brought increased state financial support for school construction. Litigation in the 1970s focused attention on economic inequalities of rich and poor school districts, including the condition of the districts' educational facilities. This resulted in additional financial support of education, including school construction.

While state involvement in public school facilities matters varies widely, nearly all states now have some role in school facilities construction, renovation, and major maintenance. New Hampshire established its school building aid program in 1955 to aid local school districts in meeting the debt costs for school buildings. The school building aid program assists school districts by providing annual grants ranging from 30 to 55 percent of the cost of school construction or renovation, or the purchase of school buildings, to districts complying with State requirements. Interest costs are not reimbursed. Regional vocational centers have their own construction and renovation aid program. Under RSA 188-E:3 the Department of Education is required to make grants available for construction and renovation of regional vocational facilities. In addition, a kindergarten construction program assists school districts in developing kindergarten facilities by providing grants for both existing and start-up kindergarten programs.

The physical condition of public schools has become a nationwide concern. The U.S. General Accounting Office has issued numerous reports on the condition of public school facilities since 1995. One report estimated one-third of the nation's schools needed extensive repair or replacement, with an estimated cost of \$112 billion to bring all school facilities in the country to good overall condition. In 1998, the New Hampshire General Court required the State Board of Education to commission a study of the adequacy and condition of New Hampshire's schools. The State Board of Education's report raised school health and safety concerns such as traffic flow, general building security, air quality, leaky roofs, and mechanical building systems. The report also raised concerns with the adequacy of learning spaces. The State Board of Education's report can be found in Appendix C.

1.2 Scope, Objectives, And Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards and accordingly included such procedures as we considered necessary in the circumstances.

Scope And Objectives

This report describes and analyzes the school construction and renovation programs administered by the Department of Education for fiscal years 1995 through 2000. The issues we focused on primarily addressed whether the department's management practices promoted efficient and effective operation of the State's school construction and renovation programs. The audit examined the school building aid program and the regional vocational center construction and renovation program. Audit work related to the kindergarten construction program was limited to organizational issues because at the time of the audit the program was due to expire in 2002. During the 2001 session of the General Court, the program was extended to 2004.

Our audit addressed the following specific objectives:

- Assess whether the Department of Education's management control structure is sufficient to efficiently and effectively administer the State's school construction and renovation programs.
- Assess New Hampshire's school building standards in comparison with other New England states.
- Identify alternative mechanisms used by other New England states in providing state aid for school construction and renovation projects.

Methodology

To obtain information related to the audit objectives, we used four basic methods:

- surveyed school officials in districts receiving school building aid to determine their opinions of the school building aid program, its processes, quality of technical assistance received, and adequacy of construction standards;
- reviewed project files for school building aid projects and regional vocational centers to determine compliance with applicable statutes and administrative rules, and completeness of files;
- interviewed knowledgeable architects and professional engineers to determine their opinions of the school building aid construction and renovation process, quality of service provided by department personnel, and assessment of construction standards; and

1.2 Scope, Objectives, And Methodology (Continued)

- reviewed documents of New Hampshire and other New England states' school building aid programs, written guidance to school districts, statutes, administrative rules, and construction standards.

To obtain general background information and develop an understanding of the school construction and renovation field, we reviewed reports, articles, performance audits, and publications by governmental and non-governmental organizations involved with school building construction and renovation aid programs. We also obtained and reviewed background information from several New Hampshire Legislative study committees and school construction aid programs from other New England states. Interviews were conducted with administrators of the Office of School Building Aid and the Bureau of Career Development, and knowledgeable parties external to the department, such as the New Hampshire School Boards Association, New Hampshire Association of School Business Officials, New Hampshire School Administrators Association, New Hampshire Municipal Bond Bank, and the New Hampshire School Building Authority.

1.3 Administration Of Educational Facilities Aid Programs

The New Hampshire Department of Education is responsible for administering three construction and renovation programs for educational facilities. The three programs are school building aid, the regional vocational center construction and renovation program, and the kindergarten construction program. As shown by the shaded boxes in Figure 3, a different organizational unit within the department manages each program.

The Office of School Building Aid is responsible for administering the school building aid program and is a part of the department's Division of Program Support. Staffing consists of the program administrator (administrator III) and a statistical clerk III. The program administrator reviews construction specifications, building plans, and educational specifications, as well as other application materials in the course of deciding on a district's eligibility for building aid. Although not consistent with statute, the program administrator reported a school building aid team makes final decisions on grants. The school building aid team consists of the administrator, the statistical clerk, and the division director.

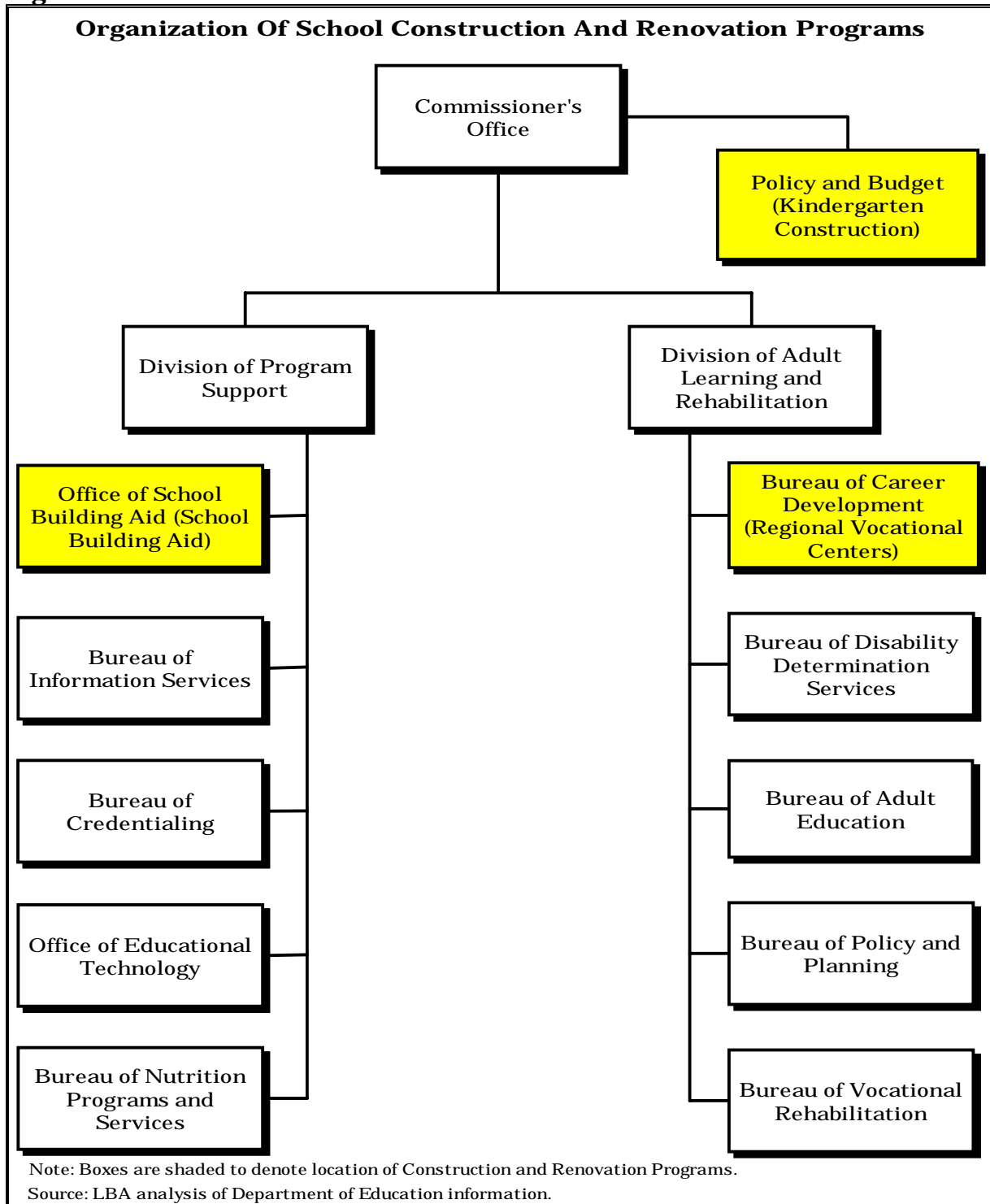
The program administrator also acts as a consultant to the local districts providing advice on the whole construction process, as well as on using the school building aid program for financial assistance. The administrator functions as the public contact and information source for the program, and acts as the department's liaison to the School Building Authority established pursuant to RSA 195-C. The administrator also provides this group with administrative support.

The statistical clerk provides information and responses to phone and written inquiries, and refers questions that cannot be answered at that level to the program administrator. Maintaining files and routine correspondence are part of the duties, as well as clerical support for the School Building Authority. The clerk sends out notices to applicants as to what materials are needed to qualify for aid or to complete their files. Maintenance and computation of the building aid control cards are also part of the clerk's responsibilities.

1.3 Administration Of Educational Facilities Aid Programs (Continued)

The clerk compares final applications to preliminary applications and makes any necessary changes to the control cards if there is a change in project cost.

Figure 3



1.3 Administration Of Educational Facilities Aid Programs (Continued)

The Bureau of Career Development, within the Division of Adult Learning and Rehabilitation, is responsible for administering the department's regional vocational center construction and renovation program. The bureau administrator supervises a staff of 18 and oversees nine functional areas relating to vocational, technical, and career education, including approval and consultation on regional vocational center facilities and programs. According to the bureau administrator, five educational consultants work with the regional vocational centers within their assigned region. Their work involves giving regular technical assistance to the centers, assisting with curriculum and professional development, and reviewing the centers' progress relative to the long-term plans submitted by the center in order to be eligible for federal funding. The consultants are also involved as resources to construction and renovation projects. A team consisting of the bureau administrator, the five educational consultants assigned to the regional centers, and an information technology person from the department review and approve new construction and renovation requests.

The policy and budget section of the Commissioner's Office administers the kindergarten construction program. This section reviews kindergarten construction grant requests, including educational specifications, kindergarten construction plans, and cost estimates and forwards them to the Commissioner for a final decision.

1.4 School Building Aid

The school building aid program assists school districts by providing annual grants to districts complying with State requirements. RSA 198:15-b authorizes grants ranging from 30 to 55 percent of the principal costs of school construction or the purchase of school buildings. Interest costs are not reimbursed. In addition to borrowed funds, project financing may include capital reserves and amounts raised by taxation. When these financing methods are utilized in conjunction with borrowed funds, the grant is evenly divided over the term of the note or bond. Money from trusts, bequests, gifts, or insurance policies used to finance school construction is not eligible for inclusion in the computation of the grant. If the project is entirely funded by capital reserves or amounts raised by taxation, or the bond or note is for less than five years, then the grant amount will be divided evenly over a minimum five-year period.

A single school district may receive a grant of 30 percent of construction or renovation costs. Cooperative districts start at a rate of 40 percent and add an additional five percent for every pre-existing district in excess of two, with a ceiling of 55 percent. Cooperative districts are instances where two or more school districts jointly own and operate schools. Authorized Regional Enrollment Area (AREA) schools start with a base of 40 percent and add an extra five percent for each 'sending' district in excess of one, with a ceiling of 55 percent. AREA schools take students from other districts in their authorized region on a tuition basis. School administrative unit (SAU) office buildings are reimbursed at a rate of 40 percent of construction costs.

School building aid projects take many different forms. Projects can be new facilities or additions and renovations to current facilities. "Construction" is defined by statute as

1.4 School Building Aid (Continued)

acquisition and site development, planning and construction of new buildings, planning and construction of additions to existing buildings to provide additional student capacity, substantial renovations approved by the commissioner, architectural and engineering fees, and necessary equipment purchases. Renovation projects may involve refurbishing existing classrooms or improving compliance with building or Life Safety Code specifications. Complying with the Americans with Disabilities Act (ADA) has been the basis for several renovation projects. Repairing parking lots to ADA standards, installing accessible ramps, restrooms, and elevators are common projects of this nature. Other types of renovation projects include door and window replacements, roof replacements, or upgrading and repair of heating, ventilation, and air conditioning systems. In addition, a school building aid project may involve the purchase of a building or modular unit.

Our review of school building aid project files where the first grant payment was paid between fiscal years 1995 and 2000 showed ten elementary schools, two middle/junior high schools, and six high schools were built. Among the remaining projects, additions or renovations were made at 129 elementary schools, 29 junior high/middle schools, and 39 high schools. These included 35 kindergarten projects. Also, 11 SAU offices were either built or renovated while another three projects consisted of land or equipment purchases.

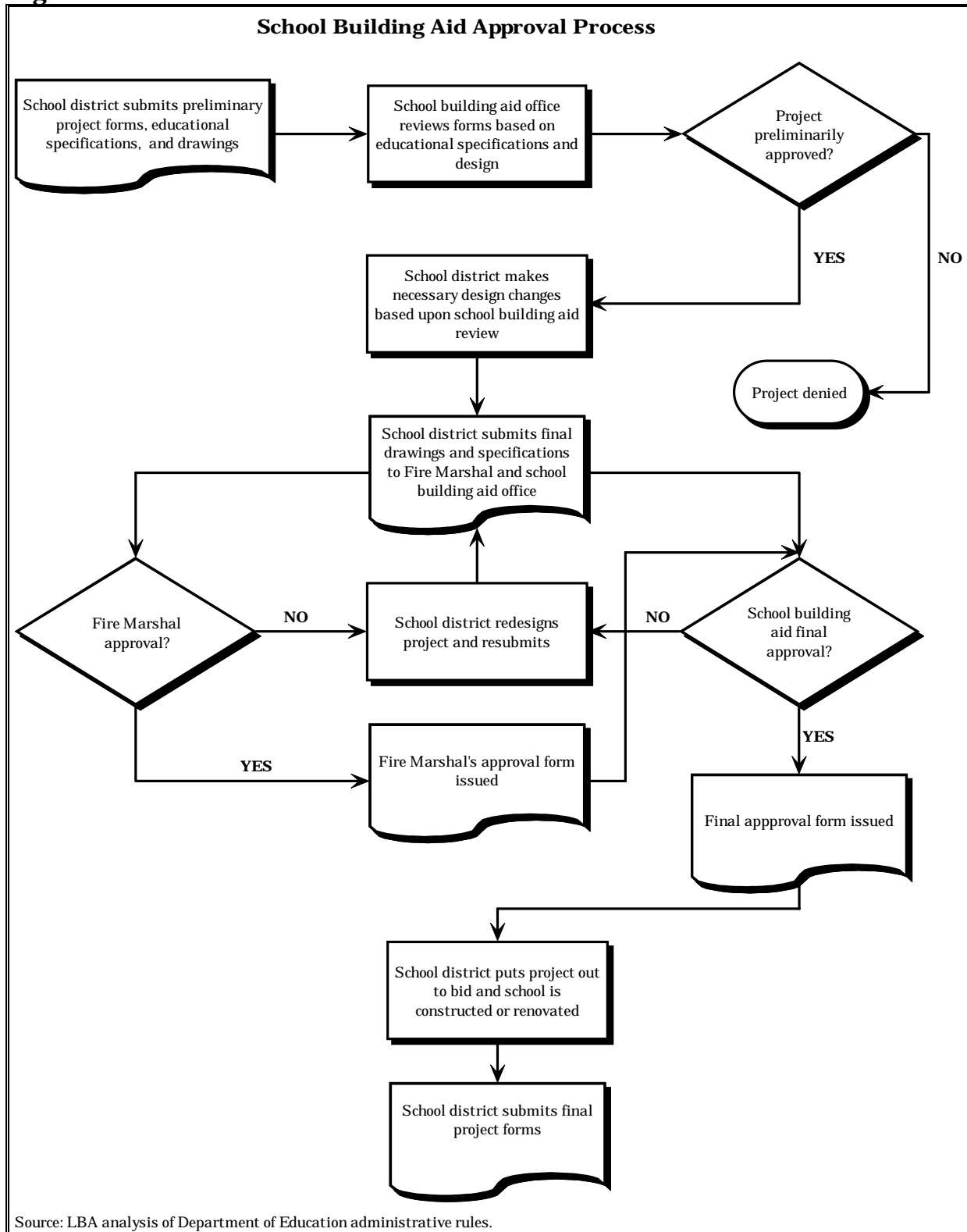
Process

Administrative Rule Ed 305.12 outlines the steps involved in approving a school building aid project. As shown in Figure 4, school districts begin the process by submitting preliminary project forms, educational specifications, and drawings to the Office of School Building Aid. Educational specifications are the embodiment of the school district's educational philosophy, goals, and objectives and provide a written description of educational activities and the spaces needed for those activities. The school building aid administrator then reviews the proposed project for eligibility, compliance with laws and rules, and how well the design matches the requirements described in the educational specifications. The project is denied if deemed ineligible for school building aid. During the audit period, the Office of School Building Aid denied eight projects, primarily because no architectural plans were submitted. If the project is eligible for school building aid, preliminary approval is given and comments or concerns based upon the administrator's review are given to the architect, professional engineer, or the school district for inclusion in the final designs.

Once final plans are completed, they are submitted to both the Office of School Building Aid and the State Fire Marshal's Office. Final designs are reviewed by a school building aid team, consisting of the statistical clerk, school building aid administrator, and division director, to ensure the project meets all requirements and all previously identified issues are addressed by the final designs. Once the team is satisfied all requirements are met, it issues final approval. Observation No. 3 discusses the need for State Board of Education

1.4 School Building Aid (Continued)

Figure 4



1.4 School Building Aid (Continued)

approval rather than school building aid team approval. The school district is now free to put the project out to bid. The State Fire Marshal's Office reviews the plans using the Life Safety Code, Fire Prevention Code, and Building Officials and Code Administrators (BOCA) National Building Code and considers whether the project has suitable fire alarms, sprinkler systems, and emergency exits and lighting. Observation No. 5 discusses Office of School Building Aid project approvals without evidence of the State Fire Marshal's Office approval.

Once the school construction or renovation project is completed, the school district submits all final forms identifying project costs to the Office of School Building Aid. The school district is now eligible to receive its annual school building aid payment. Observation No. 2 and Observation No. 4 discuss statutory compliance issues in the timing of school building aid payments.

Program Standards

As noted above, eligibility for school building aid requires compliance with certain standards mandated by the Department of Education. Administrative Rule Ed 305.01 establishes minimum site sizes for new school construction. Elementary schools need a minimum of five acres of usable land with an additional acre for each 100 students. Junior high and senior high schools need base levels of ten and 15 usable acres respectively, plus an additional acre per 100 students. The rules allow local school boards to appeal to the State Board of Education to request a waiver of minimum requirements in cases where the site does not conform to these requirements. Administrative Rule Ed 305.03 establishes classroom and instructional space standards. Elementary schools must provide a minimum of 900 square feet per classroom or 30 square feet per student, whichever is greater. Kindergarten classrooms need at least 1,000 square feet or 50 square feet per student, whichever is greater. Secondary schools require minimums of 800 square feet or 30 square feet per student, whichever is greater. Certain subject areas also have minimum standards (in square feet per student), for example: social studies (35-40), science lab/classroom (60-70), art (60-70), industrial arts/senior high (100-125), and physical education/junior high (100-125). The rules also set minimum standards for fire safety requirements, heating, ventilation, air conditioning and plumbing, as well as promoting barrier free architecture and energy conservation in school buildings. Section 3 of this report provides a comparison of New Hampshire's standards with other New England states.

Financial History

School building aid grants are funded by the General Fund. Table 1 shows school building aid funding and expenditures for fiscal years 1995 through 2001. Total appropriations were approximately \$126 million for the period. Authorized transfers to other Department of Education programs totaling approximately \$3 million occurred during three fiscal years. During the seven-year period, \$123 million of this amount was spent on school building aid to local school districts.

1.4 School Building Aid (Continued)

RSA 198:15-e states that in the event of a shortfall in appropriated funds in a given year, the available appropriation will be prorated proportionally among the eligible districts. However, there were no funding shortfalls during the audit period. Of the \$536,305 shown as the total ending balance at the end of the fiscal years, \$298,205 lapsed to the General Fund. The \$183,000 balance in 1996 and \$55,100 balance in 2000 were carried forward and made available for grants to local school districts during the following fiscal year as authorized by the respective operating budgets.

Table 1

School Building Aid Expenditures (FY 1995 - 2001)					
Fiscal Year	Total Appropriations	Transfers	Net Funding¹	Expenditures	Ending Balance
1995	\$ 15,536,810	\$ 0	\$ 15,536,810	\$ 15,536,810	\$ 0
1996	15,350,000	(600,000)	14,750,000	14,567,000	183,000
1997 ²	16,000,000	0	16,183,000	15,902,147	280,853
1998	19,000,000	(853,669)	18,146,331	18,146,331	0
1999	20,000,000	(1,451,132)	18,548,868	18,548,868	0
2000	19,000,000	0	19,000,000	18,944,900	55,100
2001 ²	21,450,000	0	21,505,100	21,487,748	17,352
Total	\$126,336,810	\$(2,904,801)	\$123,670,109	\$123,133,804	\$536,305

¹Net funding includes ending balance brought forward from prior fiscal year in fiscal years 1997 and 2001.
²Ending balances at June 30, 1997 and 2001 lapsed to the General Fund.
Source: LBA analysis of Statements of Appropriation and operating budgets.

1.5 Regional Vocational Center Construction And Renovation

The commissioner of the Department of Education is required by RSA 188-E:3 to make grants available to designated regional vocational centers for the construction of vocational education facilities or the renovation of existing centers. This statute also states site work, parking lots, and related areas are the responsibility of the local community. Reimbursement for these costs may be requested through the school building aid program.

Vocational education, such as programs in agriculture, health, home economics, office occupations, and trades and industry, is provided to New Hampshire students in specific high schools designated by the Department of Education. These vocational education centers are attached to high schools known as comprehensive high schools. The State has taken a regionalized approach to vocational education providing vocational programs broad enough to serve the needs of the area in which they are located. In approving vocational education programs, the department considers whether a business or industry need exists in the region that requires a program teaching new skills and competencies. The commissioner may designate vocational courses outside of the regional vocational centers as regional courses in circumstances where it is economically and educationally feasible. In addition, an out of state course or school may also be designated. There are currently two

1.5 Regional Vocational Center Construction And Renovation (Continued)

regional agriculture programs in the State (Pembroke and Winnisquam) and two vocational schools in Vermont offering programs to New Hampshire students. These are located in Bradford, Vermont (offering eight programs) and Hartford, Vermont (offering 15 programs). Table 2 shows the location of the 23 vocational education centers and the year the center opened.

Until August 18, 1997, the program only dealt with the construction of vocational facilities. Chapter 265:1, Laws of 1997 expanded the program to include renovation of vocational education facilities. RSA 188-E:10 now authorizes the State Treasurer to make funds available to the Department of Education for the renovation and expansion of regional education centers or regional vocational education programs if specific criteria are met. First, the education commissioner must ensure all requests submitted are both educationally and financially appropriate. Second, the education commissioner must submit a priority list of facilities and programs eligible for renovation and expansion within its biennial capital budget request. Each request must follow the capital budget procedure pursuant to RSA 9:3-a. Third, each school district requesting funds must establish and fund a renovation and expansion reserve fund to be used to pay renovation and expansion costs not funded by the State and which may include funding for the replacement of equipment. Renovation and expansion reserve funds may be funded through local community funds, vocational education tuition payments, gifts, contributions, and bequests. If the above criteria are met, the State will fund not less than 75 percent of the cost of an approved project. Payments are made periodically on a reimbursement basis throughout construction.

Table 2

Regional Vocational Centers			
Center	Year Opened	Center	Year Opened
Nashua	1974	Wolfeboro	1983
Keene	1976	Whitefield	1985
Portsmouth	1977	Salem	1989
Berlin	1977	Dover	1990
Concord	1980	Rochester	1991
Conway	1980	Somersworth	1991
Exeter	1980	Claremont	1992
Manchester	1982	Hudson	1992
Laconia	1983	Newport	1993
Littleton	1983	Peterborough	1996
Plymouth	1983	Milford	1997
Tilton	1983		

Source: Administrative Rule Ed 1402.08.

A total of \$85 million has been appropriated to the Capital Fund for the construction and renovation of regional vocational education facilities since the beginning of the program in

1.5 Regional Vocational Center Construction And Renovation (Continued)

1973. Appropriations have grown steadily since 1973 as each new facility was approved. In 1973, the total amount appropriated for the program was \$3.5 million. The appropriation made under RSA 188-E:10 was periodically amended to reflect new vocational education projects approved by the Department of Education. As of June 30, 2001, approximately \$84.3 million was expended of the \$85 million appropriated. Effective June 21, 2000, RSA 188-E:10 was repealed and reenacted to support the funding of the regional vocational education centers within the capital budget or legislative funding process.

The bureau administrator reported Nashua and Keene are currently considering renovation projects with expected costs to the State of approximately \$22 million and \$6 million, respectively.

1.6 Kindergarten Construction Program

RSA 198:15-r established the kindergarten construction program to assist school districts in constructing or renovating kindergarten facilities. Effective July 1, 1997 through June 30, 2002, the program provides grants for both existing and start-up kindergarten programs.

Districts seeking to establish a kindergarten program are eligible for reimbursement of 75 percent of the actual cost of constructing the kindergarten facility. The kindergarten construction program also includes the cost of initial equipment needed to operate a kindergarten program. Existing public kindergarten programs can also utilize the program to upgrade facilities to applicable standards. Although site and related facility costs are ineligible for kindergarten construction grants, these costs are eligible under the school building aid program at the district's regular reimbursement rate.

A kindergarten construction grant request must contain educational specifications, construction plans and cost estimates prepared by a licensed architect, and provide assurance that facilities constructed will be used for public kindergarten.

Table 3

Kindergarten Construction Awards			
Award Year	Amount Authorized	Amount Awarded to School Districts	Number of Kindergarten Projects
1999	\$6,000,000	\$6,000,000	24
2000	5,000,000	4,999,917	10
2001	5,000,000	5,000,000	11
2002	6,500,000	5,020,013	8
Total	\$22,500,000	\$21,019,930	53

Source: Department of Education data as of June 27, 2001.

Capital Fund appropriations for the kindergarten construction program total \$22.5 million over the five-year period of the program. The fiscal year 1999 appropriation of \$6 million

1.6 Kindergarten Construction Program (Continued)

was for the biennium ending June 30, 1999 (fiscal years 1998 and 1999). Of the \$22.5 million appropriated, \$21,019,930 had been awarded for 53 kindergarten construction projects as of June 27, 2001. The remaining \$1,480,070 has not yet been awarded for the remaining year of the program. Grants are awarded on a first-come, first-served basis. Approved grant requests that exceed the limit of the appropriation in any given year are funded in a subsequent year.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
CONSTRUCTION AND RENOVATION PROGRAMS**

OBSERVATIONS AND RECOMMENDATIONS

This section identifies and describes weaknesses found while conducting our audit work and makes recommendations for their resolution. The weaknesses identified are divided into three sections: compliance issues, project cost and payment issues, and management issues. Section 2.1 contains six observations describing practices we believe do not comply with State laws or administrative rules. Section 2.2 contains three observations regarding the accuracy of school building aid payments. Section 2.3 contains eleven observations describing managerial weaknesses of the Department of Education's school construction and renovation programs.

2.1 Compliance Issues

During the course of the audit we reviewed governing statutes and administrative rules applicable to school construction and renovation programs. We found several instances where the Office of School Building Aid does not comply with State laws or administrative rules. The areas of noncompliance relate to project eligibility criteria established by law, timing of aid payments, project approval, notification procedures for the State Fire Marshal, and examination of debt limitation requirements.

Observation No. 1

Projects Approved For School Building Aid Should Conform To Statutory Requirements

The Office of School Building Aid appears to approve and fund projects exceeding what is explicitly allowed by statute. RSA 198:15-b, IV states:

For the purposes of this subdivision, "construction" shall include any one or more of the following for the construction of instructional facilities only:

- (a) The acquisition and development of a site.
- (b) Planning, construction, or both, of a new building.
- (c) Planning, construction, or both, of additions to existing buildings to provide additional pupil capacity.
- (d) Architectural and engineering fees.
- (e) Purchase of equipment and any other costs necessary for the completion of a building as approved by the state board of education.
- (f) Substantial renovations approved by the commissioner of education.

During our file review, we found 11 projects that appear to have exceeded the intent of RSA 198:15-b. We found eight addition projects that, according to the application, did not result in increased pupil capacity as required by (c) above:

2.1 Compliance Issues (Continued)

Observation No. 1: Projects Approved For School Building Aid Should Conform To Statutory Requirements (Continued)

- A 750 seat auditorium adjoining an existing high school (**project cost \$3,385,176**).
- A physical education/performance arts area and renovation to increase the cafeteria size and add computer lab space (**project cost \$930,003**).
- An elementary school gymnasium (**project cost \$559,955**).
- An art/music room, resource room, custodial storage, small group room, and handicapped bathroom (**project cost \$521,025**).
- A multi-purpose room, six storage rooms, and two bathrooms (**project cost \$486,959**).
- An elementary school gymnasium with lobby, rest rooms, and storage (**project cost \$390,000**).
- A multi-purpose room, an art room, and a music room (**project cost \$330,869**).
- A storage room and a small office (**project cost \$42,460**).

Other projects meet the construction definition as defined in the statute, but also include ancillary items similar to those mentioned above. We also found a junior high athletic field construction project (**project cost \$23,665**), which appears unrelated to the construction of instructional facilities.

As noted in Observation No. 11, the Office of School Building Aid does not have a clear definition of “substantial renovations.” We questioned whether renovation projects including roof replacements, window and door replacements, computer equipment, structural upgrades, renovations required by the Americans with Disabilities Act, and building systems replacements (heating, ventilation, air conditioning) constituted “substantial renovations.” In addition to these renovation projects, two additional projects did not receive the required commissioner of education’s approval: locker room renovations in two high schools (**total project cost \$388,083**) and stage lighting and rigging for three high schools (**total project cost \$384,366**).

A loose interpretation of RSA 198:15-b has resulted in school building aid projects not meeting the explicit requirements of the statute. This has obligated the State to \$2.6 million in school building aid payments for addition projects not resulting in increased student capacity alone.

Recommendation:

The Office of School Building Aid should only approve projects in compliance with the explicit language of RSA 198:15-b.

Auditee Response:

The Department does not concur. We do not believe that we are approving projects beyond what is allowed by the intent of the statute. The auditors’ interpretation of the statute would require that instructional spaces such as those cited not be approved if they were cut out of

2.1 Compliance Issues (Continued)

Observation No. 1: Projects Approved For School Building Aid Should Conform To Statutory Requirements (Continued)

the budget for the initial school and then added later. Our position is that if the space were eligible under initial construction and if the school never had a similar space -- or a similar space existed but became too small due to the addition of classrooms (often the case with cafeterias), then the spaces can be eligible for school building aid. The auditors' interpretations seems to suggest that all projects to add space to existing schools be denied unless it can be demonstrated that the additional space will in itself increase pupil capacity.

We would welcome further discussion of these points including our working definition of "substantial renovations" which also appears troublesome to the auditors. If it turns out that we are in fact exceeding our authority we will of course act promptly to make changes.

Observation No. 2

Final Approval Needed Before School Building Aid Grants Made

RSA 198:15-c states that school districts are entitled to receive an annual building aid grant upon State Board of Education approval. It further states, "Application for school building aid shall be submitted before January 1 of each year in order to be eligible for school building aid in the fiscal year following the year of submittal." Department of Education administrative rules are more explicit. Administrative Rule Ed 305.12 (i) states,

The final forms listed below shall be completed and submitted to the department of education for each project before any building aid is given on a project: (1) A24F Final detailed application; (2) A24S Supplemental Appropriation or Capital Reserve Expenditures; (3) A25 Bond or note register; (4) A26 Final project specifications and costs...

The current Office of School Building Aid practice is to begin making payments upon approval of the preliminary application contrary to administrative rule.

We conducted a review of all school building aid project files where the first school building aid payment was made between fiscal years 1995 and 2000. Of the 229 projects we reviewed, two projects did not have a control card (governs the amounts paid to the school district over the life of the project), six projects had no dated A24F form, and 61 had no A24F form in the project file. Therefore, we did not consider these 69 projects in this analysis. The remaining 160 projects were analyzed to determine whether they complied with RSA 198:15-c and Administrative Rule Ed 305.12(i). We found 72 school building aid projects (45 percent) received their first payment before required paperwork had been submitted for approval. Table 4 shows an increase in the number of projects receiving their first payment before final approval. Prior to 1995, only seven percent of the projects received their first payment before final approval. However, the number of projects receiving payments before approval jumped to 32 percent in 1995 and continued to increase to 71 percent in 1997. All 1999 and 2000 projects began receiving their first school building aid payments before allowed under statute and administrative rules. These last two years

2.1 Compliance Issues (Continued)

Observation No. 2: Final Approval Needed Before School Building Aid Grants Made (Continued)

especially indicate a misunderstanding of the requirements of RSA 198:15-c and Administrative Rule Ed 305.12(i).

Table 4

Projects Receiving First Payment Before Final Approval			
A24F Date	Projects	Total Projects	Percent
Pre-1995	3	42	7
1995	8	25	32
1996	15	31	48
1997	10	14	71
1998	14	26	54
1999	12	12	100
2000	10	10	100
Total	72	160	45

Source: LBA analysis of school building aid files.

There are many effects of beginning school building aid payments prior to the time allowed. First, school districts receive money earlier in the construction process than they would if the law and rules were followed. Although this can be beneficial and desirable for school districts, it results in disbursing State General Funds before necessary. Also, during our file review we encountered a situation where a school district had submitted a preliminary application in December 1998 for a kindergarten addition. The district received three building aid payments totaling \$11,035, between October 1999 and October 2000. However, the district decided not to pursue the building addition. The Office of School Building Aid had not recognized the project was suspended until we inquired how the payment amount was determined. The district has since repaid the \$11,035.

Because school building aid payments are made on estimates taken from preliminary application forms, many revisions are made to the control cards maintained by the Office of School Building Aid over the course of the project as cost figures are continually updated and finalized. Also, since the districts are already receiving payments, they have little incentive to submit final documents for approval.

Recommendation:

School building aid grant payments should not be initiated until all required final forms are submitted to the Office of School Building Aid and approved.

2.1 Compliance Issues (Continued)

Observation No. 2: Final Approval Needed Before School Building Aid Grants Made (Continued)

Auditee Response:

The Department concurs in part. However, the problem here and with the A24-F & A26 “timing error” referenced in Observation No. 17 is more complicated than simply requiring that all final forms be submitted before payments begins. One of the reasons we do not send out forms A24-F and A26 until after preliminary approval (nor make them available on our web site) is that districts will (and have) sent them back to us immediately with the same information that is on the A24-P. If we require the A24-F and the A26 prior to first payment, we will get them early and the record of “forms returned prior to first payment” will look good. Unfortunately, except in those cases where the projects run over and an A24-Supplement 1 is filed, we might never know that a project came in under budget and we could be paying school building aid on a bond under which some of the money was used for something else. School Building Aid is a reimbursement program. If a district submits its application prior to January 1 of a given year and if it makes a bond or loan payment or otherwise expends a substantial amount of cash (other than interest) on the project prior to September 30th under present operating procedure the district is eligible to receive reimbursement for half that amount in October and the remaining half in April.

From the time a district pays for architectural/engineering studies until a project is actually completed and final costs are determined may be several years. We do not believe it was the intent of the Legislature that districts pay the full costs of construction of a complete project prior to receiving any school building aid reimbursement. Nor do we believe that it is the intent of the Legislature, or the State Board of Education that “final” forms should be turned in at the time of preliminary application.

We believe that the present operating methodology strikes a sensible middle ground. There is insufficient incentive, however, for districts to submit the final forms in a timely fashion. We propose that the solution to this is to codify the present procedure by making improvements to the directions and forms, recommended in Observation No. 17. To the extent that changes in the rules or laws are necessary we will involve the State Board and the Legislature. We will seek the authority to require that final forms be submitted within a time certain of the completion of the project under penalty of payment suspension. These changes will proceed concurrent with the improvements cited in Observation No. 17.

Observation No. 3

State Board Of Education Project Approval Needed

RSA 198:15-c requires the State Board of Education to approve school building plans, specifications, and cost estimates prior to the start of construction. The Department of Education’s administrative rules mirror this approval requirement. Authority to grant exemptions from State school building requirements is also vested in the State Board of Education. In practice however, school building projects are reviewed and approved solely by the Office of School Building Aid. A “building aid team” consisting of the school building aid administrator, the statistical clerk, and the Division of Program Support director makes final project approval decisions. The school building aid

2.1 Compliance Issues (Continued)

Observation No. 3: State Board Of Education Project Approval Needed (Continued)

administrator grants exceptions to schools requesting waivers from State minimum site size and classroom size standards.

The school building aid administrator was unaware of the State Board of Education delegating these responsibilities to the Department of Education or the Office of School Building Aid. The school building aid administrator also stated the Department of Education's 1986 reorganization under RSA 21-N gave the department this authority. However, we found nothing in RSA 21-N that contradicts the explicit authority granted to the State Board of Education in RSA 198:15-c.

RSA 198:15-c requires the State Board of Education to deny any school building plan that does not fit with State education plans. Without review and approval of school building plans by the State Board of Education, the board may not be able to ensure effective Statewide school facilities planning.

Recommendation:

The State Board of Education should determine whether the current practice meets its needs for school building planning purposes. If not, it should begin reviewing and approving school building aid projects in accordance with RSA 198:15-c. The Office of School Building Aid should continue to provide applicants with technical advice to ensure the plans, specifications, and cost estimates conform to the Board's requirements. If the State Board of Education determines the current approval process is acceptable, then it should take appropriate steps to formalize the practice by seeking amendment to RSA 198:15-c and the Department of Education's administrative rules.

Auditee Response:

The Department concurs. A literal reading of the law gives rise to the auditors' concerns. Education is different from virtually all the other executive branch agencies in that the Commissioner, Deputy Commissioner and Division Directors are appointed by the State Board of Education, not Governor and Council. Further, the Commissioner unlike in other departments does not have rule making authority. This is reserved to the State Board.

These relationships were reaffirmed when RSA 21-N became law. Since then, if even not before, Education Department leadership and employees have considered themselves the administrative or "working arm" of the State Board, conduct themselves as representatives of the Board and operate under the authority of the Board. We believe that the Board can and will become involved in school building planning and approving school building aid projects to the extent that the members deem to be appropriate.

We will bring the auditors' recommendation to the attention of the State Board of Education and follow their guidance in this matter.

2.1 Compliance Issues (Continued)

Observation No. 4

Annual School Building Aid Payments Consistent With RSA 198:15-a Needed

RSA 198:15-a requires the State to make school building aid payments annually, subject to appropriation. Department of Education Administrative Rule Ed 305.12 (h) also requires

annual payments to the school districts. However, the Office of School Building Aid makes school building aid grant payments twice each fiscal year. For each project eligible for school building aid, the School Building Aid office calculates an annual grant amount and divides by two to determine the semi-annual grant amount. The semi-annual grant amount is then paid in October and April of each fiscal year.

According to the school building aid administrator, the Department of Education began making semi-annual payments upon recommendation of the State Treasurer to improve the State's cash flow situation. Semi-annual payments, while improving the cash flow of the State, may cause financial difficulties for local school districts. Depending on when their bond payments are due, local school districts may have to use available cash to make their bond payments in advance of receiving State funds. School building aid grant payments made on an annual basis, rather than semi-annually, would also be more efficient.

Recommendation:

The Office of School Building Aid should disburse school building aid grants in the manner prescribed by State law and Department of Education rule. If the Department of Education desires to make semi-annual school building aid payments, it should seek statutory and administrative rule changes to allow semi-annual payments.

Auditee Response:

The Department concurs. We can only speculate as to why the annual payment is delivered in two installments. Neither the Department nor the State Treasurer have a vested interest in continuing the practice.

This issue was addressed by Question #15 in the auditor's survey of School Building Aid clientele. Fifteen respondents (27%) recommended that payments stay as they are. If only one payment were to be made, 31 respondents (58%) would prefer the first half of the fiscal year with 19 (35%) opting for July. The Department will look into the possibility of moving the payment to earlier in the fiscal year.

Observation No. 5

Fire Marshal Review And Approval Notification Procedure Needs Improvement

The Office of School Building Aid has not followed procedures to determine whether the State Fire Marshal reviewed and approved school construction or renovation project designs and specifications.

The State Fire Marshal is responsible for reviewing and approving all construction and renovation plans for all public buildings, including schools. The State Fire Marshal reviews

2.1 Compliance Issues (Continued)

Observation No. 5: Fire Marshal Review And Approval Notification Procedure Needs Improvement (Continued)

the plans using the Life Safety Code, Fire Prevention Code, and Building Officials and Code Administrators (BOCA) National Building Code and considers whether the project has suitable fire alarms, sprinkler systems, and emergency exits and lighting.

We conducted a review of all school building aid project files where the first school building aid payment was made between fiscal years 1995 and 2000. Of the 229 projects we reviewed, 132 were completed as indicated by a "Project Application Completion" form. We examined each of these 132 completed project files and found State Fire Marshal approvals in only 11 files (8 percent). Approvals consisted of a letter from the State Fire Marshal's office that the project had been reviewed and approved. According to the school building aid administrator, the office relies on the word of the project architect that the State Fire Marshal has reviewed and approved the school building design and specifications. However, both the school building aid administrator and a member of the State Fire Marshal's office indicated there was one instance where an architect falsely reported to the Office of School Building Aid a school building project was in compliance with the codes. The school building aid administrator also stated the State Fire Marshal's office does not contact the office unless there is a problem with a set of plans.

The Department of Education's Administrative Rules require all final drawings and building specifications to be submitted to the State Fire Marshal for approval. The rules also require that "Form A24M Fire Marshal's Approval shall be issued and distributed upon his approval of drawings and specifications." However, it does not appear the form exists. The school building aid administrator could not recall ever seeing a Form A24M Fire Marshal's Approval.

Without a formal notification procedure the possibility exists that a school building project may receive State funding without meeting requirements of all applicable codes. Without adequate coordination between the Office of School Building Aid and the State Fire Marshal's office, the possibility exists that a school building project could be built with State funds without State Fire Marshal review and approval. This may result in children occupying a potentially hazardous school that does not meet safety codes. It may also result in expensive repairs or retrofits to bring the school building into code compliance if it is discovered that plans had not been reviewed and approved by the State Fire Marshal's office until after the project is completed.

Recommendation:

The Office of School Building Aid should require written documentation of the State Fire Marshal's approval of school building designs and specifications from the State Fire Marshal's office before a school building is constructed or renovated. If the State Fire Marshal and the Department of Education determine a form is necessary to accomplish approval confirmation, they should promptly develop a Form A24M Fire Marshal's Approval and implement its use. If they choose to use a letter documenting approval, the State Board of Education should

2.1 Compliance Issues (Continued)

Observation No. 5: Fire Marshal Review And Approval Notification Procedure Needs Improvement (Continued)

amend its administrative rules by removing reference to Form A24M and replace it with an approval letter from the State Fire Marshal.

Auditee Response:

The Department concurs. Although this has not been a problem because of the close and continuing collaborative relationship between the Administrator and the Fire Marshal's office and we are confident that no school buildings have been built without Fire Marshal review, we nevertheless agree that documentation of such should be in the files. The administrator will confer with appropriate personnel in the Fire Marshal's office and review and reinstitute the A24-M form by September 30, 2001.

State Fire Marshal's Response:

We concur in part to Observation No. 5. We concur that there should be a more formal mechanism for notifying the Department of Education that a construction or renovation project is in compliance with the State Fire Code. We also concur with the Department of Education's response that the close and continuing collaborative relationship between the Administrator and the Fire Marshal's Office has ensured that projects are reviewed for compliance. In addition, fire chiefs, building inspectors, architects, engineers, and school administrators are also very aware of the requirement to submit plans to us for review.

We do not concur that the Office of School Building Aid should require written documentation of the State Fire Marshal's approval of school building designs and specifications before a school building is constructed or renovated. Unfortunately, it is not always possible to issue a total approval before the construction or renovation project is started. Many projects proceed in accordance with the "design-build" concept, in which plans and specifications are submitted in phases. For example, the foundation and structural steel may be designed, approved and under construction before the plans are submitted for the interior design or fire protection components such as sprinkler systems.

We believe that the burden of responsibility for obtaining approval from this office and submitting that information to the Department of Education should be that of the design professional who is the architect of record for the project. We also believe that the approval should encompass the completed project, not just the planned project. This would ensure:

- 1. That the architect provides proper supervision over the entire project, not just the initial design;*
- 2. That major change orders are reviewed for compliance. Frequently, we find that change orders are issued during construction that have not been reviewed for compliance, which can result in the construction of a non-compliant building.*
- 3. That any errors in construction that are non-compliant must be corrected in order to receive approval.*

2.1 Compliance Issues (Continued)

Observation No. 5: Fire Marshal Review And Approval Notification Procedure Needs Improvement (Continued)

On each construction project that is reviewed by this office, there is considerable documentation at each phase of the plan review process. This documentation includes the conditional approvals that might be granted as part of the overall project. We include the local fire chief and the local building inspector in the review of plans, on-site and off-site meetings, the review of requests for variances and exceptions to the State Fire Code, and in any inspections that are conducted. All reports and correspondence are part of the public record pursuant to RSA 91-A, and correspondence that pertains to the approval or non-approval of projects is automatically forwarded to the Department of Education and to the local officials.

Based on the system that is currently in place, we believe that it is possible to establish a more formal system of notification to ensure that the Department of Education can properly monitor school construction projects. This system could include the conditional approvals that are granted during various phases of a project, as well as a final approval submittal by the design professional (i.e. architect of record). We will confer with the Department of Education to establish a formal notification system by September 30, 2001.

Observation No. 6

Debt Limitation Examination Needed

The Office of School Building Aid does not require any debt information from school districts applying for school building aid to determine whether their debt limitation will be exceeded by the proposed project. Building aid forms do not ask for current debt or anticipated debt levels as a result of the proposed project.

RSA 33:4-a and Department of Education Administrative Rule Ed 305.11 limits debt that can be carried by school districts and municipalities. The debt limit for school districts is seven percent of the district's equalized assessed valuation as last determined by the Department of Revenue Administration. Debt incurred by cities for school purposes is also limited to seven percent of the city's equalized assessed valuation. Cooperative districts have special debt limits.

According to an annotation to RSA 33:4-a, the intent of the statute is to protect both current and future taxpayers from the effects of excessive spending and assure that municipal affairs are conducted economically and efficiently. Without requiring current and proposed debt levels during the application process, the Office of School Building Aid can not determine whether the school building aid applicant will exceed its statutorily required debt limitation.

Recommendation:

The Office of School Building Aid should seek debt information from school building aid applicants as part of its application process. The preliminary school building aid application should request current debt and anticipated debt levels.

2.1 Compliance Issues (Continued)

Observation No. 6: Debt Limitation Examination Needed (Continued)

This information can then be used to determine whether the applicant will exceed its debt limit by proceeding with the project.

Auditee Response:

The Department concurs in part. The School Building Aid Administrator can only recall three instances in the past six years where a district contemplated a project that would have exceeded its limit. Debt limit information is not included on School Building Aid forms because it is readily available elsewhere.

2.2 Project Cost And Payment Issues

Our audit work identified several issues with Office of School Building Aid practices for determining and paying school building aid grants. The Office of School Building Aid determines building aid payments based upon estimated project costs provided by the school district. The statistical clerk creates a “control card” for each project when the project meets preliminary approval requirements. The control card consists of a spreadsheet printout containing information such as: 1) project name, project number, and district; 2) number of years building aid will be paid (based on financing method and term); 3) building aid percent (based on district type); 4) project cost; and 5) a projected payment schedule. The control card governs the school building aid grant amount paid to the school district over the life of the grant period, which could last between five and 20 years. Because the grant amount is based upon cost estimates made during the preliminary approval phase of the project, deficiencies were identified in the areas of payment accuracy and documentation and verification of actual project costs. We also found the accuracy of the control cards could be improved through supervisory review.

Observation No. 7

Payment Accuracy Needs Improvement

During our file review, we compared total project costs as documented in the project file to the amount projected for payment over the life of the grant period on the control card and found significant variances. We were unable to calculate variances for 44 projects because of a lack of documentation supporting project costs. For the projects where we were able to calculate a variance, 12 projects had control cards based on project costs exceeding what could be supported in the project file resulting in an anticipated school building aid overpayment to school districts of \$119,895. Another 26 project control cards were based on project costs lower than costs documented in the project file resulting in an anticipated school building aid underpayment to school districts of \$607,139. Table 5 shows the detailed variances by project.

2.2 Project Cost And Payment Issues (Continued)

Observation No. 7: Payment Accuracy Needs Improvement (Continued)

Table 5

Calculated Versus Projected School Building Aid Payments					
School Administrative Unit	Total Project Cost (TPC)	Aid Percent	Calculated Aid (TPC x Aid Percent)	Projected Aid Per Control Card	Variance (Overpayment) Underpayment
Oyster River Cooperative	\$448,641 \$1,734,442	45%	\$201,888 \$780,499	\$1,050,750	\$(68,363)
Hudson	360,925	30	108,278	121,837	(13,559)
Winnicunnet Cooperative	1,731,551	30	519,465	531,000	(11,535)
Colebrook	967,071	30	290,121	301,013	(10,892)
Newmarket	2,500,000	30	750,000	755,610	(5,610)
Northumberland	567,716	30	170,315	174,000	(3,685)
Timberlane Regional	2,076,000	30	622,800	625,800	(3,000)
Nottingham	4,470,000	30	1,341,000	1,342,500	(1,500)
Hollis/Brookline Cooperative	85,481	40	34,192	34,856	(664)
Manchester	1,018,535	30	305,561	306,216	(655)
Winnicunnet Cooperative	3,385,176	50	1,692,588	1,692,858	(270)
Newmarket	103,700	30	31,110	31,272	(162)
Greenland	1,607,380	30	482,214	482,100	114
Fall Mountain Regional Cooperative	110,236	55	60,630	60,500	130
Newport	157,331	40	62,932	62,572	360
Portsmouth	110,418	30	33,125	32,525	600
Souhegan Cooperative	321,300	30	96,390	95,700	690
Exeter	891,114	30	267,334	266,491	843
Hollis/Brookline Cooperative	64,252	30	19,276	18,375	901
Moultonborough	85,990	30	25,797	24,215	1,582
Plymouth	936,200	30	280,860	279,000	1,860
Hooksett	683,829	30	205,149	202,500	2,649
Keene	152,000	30	45,600	42,000	3,600
White Mountains	972,201	50	486,101	482,500	3,601
Concord	511,599	30	153,480	148,267	5,213
Berlin	531,065	30	159,320	154,080	5,240
Thornton	227,713	30	68,314	63,000	5,314
Lisbon Regional	158,893	45	71,502	62,946	8,556
Somersworth	320,524	40	128,210	118,906	9,304
Sanborn Regional Cooperative	1,013,200	40	405,280	394,435	10,845
Lyme	1,549,180	30	464,754	452,100	12,654
Barnstead	2,177,584	30	653,275	635,275	18,000
Bow	16,407,528	30	4,922,258	4,903,097	19,161
Milford	5,526,952	30	1,658,086	1,620,000	38,086
Governor Wentworth Regional	1,574,200	55	865,810	806,410	59,400
Fall Mountain Regional	341,731	55	187,952	127,452	60,500
Oyster River Cooperative	5,246,692	45	2,361,011	2,297,250	63,761
Newfound Cooperative	3,698,500	55	2,034,175	1,760,000	274,175
Source: LBA analysis of school building aid files and control cards.				Net Underpayment	\$487,244

Because control cards are created during the preliminary approval process based upon estimates of project costs, cost increases or decreases due to changes in the project scope do not always get reflected in the control cards. In addition, final forms documenting actual project costs are not always filed. When payments are initiated during the preliminary approval phase, the Office of School Building Aid loses leverage to require final forms

2.2 Project Cost And Payment Issues (Continued)

Observation No. 7: Payment Accuracy Needs Improvement (Continued)

submission documenting project costs. As a result, the Office of School Building Aid does not update the control cards to reflect actual project costs. The school building aid administrator stated he relied on school districts to verify payment amounts when the office sends out its annual aid confirmation form.

Good management practices include process control mechanisms that will ensure the amount paid to school districts is accurate. These errors demonstrate the confirmation process alone is not sufficient as errors still occurred and were not detected. Without adequate documentation of final project costs and sufficient supervisory review of control cards, it is likely that errors in payment schedules will not be detected and corrected resulting in school districts either receiving too much or too little school building aid than statutorily allowed.

Recommendation:

The Office of School Building Aid should base control cards on final project costs only. The office should also review all projects currently receiving school building aid to ensure final forms have been submitted by school districts and control cards are based upon final project costs. The office should then settle up with school districts based upon final project costs.

Auditee Response:

The Department concurs in part. We have checked the largest overpayments and underpayments and have found the following:

UNDERPAYMENTS

Newfound Cooperative, Oyster River Middle School, Milford Middle School and Governor Wentworth Regional all have variations between the A24F (final project cost) amounts and the control card amounts as the auditors have correctly noted. However, each of these districts has not sent us an A-24 Supplement 1 Form to document where the additional funds came from and how they were authorized. They have been notified that they need to do this in order to collect on the additional funds expended beyond the bond. In the case of Fall Mountain Regional, an error was made in the original submission to the Department, subsequently corrected, but the control card was not altered to reflect the change.

We have spot checked the remaining underpayments and believe that they largely reflect situations where additional funds were claimed to have been spent on forms A24F, beyond the bonded amount, but no documentation was submitted on an A-24 Supplement 1 to collect the extra funds. Thus, control cards were appropriately not changed and will not be until the Supplement 1 is received.

2.2 Project Cost And Payment Issues (Continued)

Observation No. 7: Payment Accuracy Needs Improvement (Continued)

OVERPAYMENTS

Oyster River Cooperative and Hudson School District reflect instances where the Department paid on the amount appropriated (usually a bond) but where the actual cost of the project reported on the A-24F was in fact less. We think the remainder of the overpayments are indicative of this same issue.

This is a matter of concern. We are taking immediate steps to make sure that project expenditures match project income and that A24F amounts and amounts on the control card either match or discrepancies are documented. Directions to accompany the forms are also being revised.

Observation No. 8

School Building Aid Project Costs Should Be Documented And Verified

The Office of School Building Aid does not verify actual school building construction or renovation project costs claimed by school districts. According to statute and administrative rules, school districts seeking school building aid submit final cost information on forms A24F (Application For Approval Of Final Plans And Specifications For School Building Aid) and A26 (Project Specifications And Unit Costs). The district's school building aid payment is then determined based on these claimed figures. The office does not require invoices, contracts, or other documentation supporting claimed project costs. The office bases its initial payments on preliminary project cost estimates or bond repayment schedules. In addition, there is no audit of expenses claimed as part of a project to determine whether all costs claimed are actually related to the project reimbursed.

Good public management practices require supporting documentation of claimed expenses. Most other New England states audit their state aid for school construction grant recipients to determine whether claimed costs are eligible for reimbursement. Only Rhode Island and New Hampshire do not audit their school construction grant recipients.

The school building aid administrator stated he did not require documentation supporting project costs because school districts are audited every year through the Single Audit process. He also stated the paperwork would be a "nightmare." The Single Audit Act of 1984 as amended requires audits for state and local governmental units receiving at least \$300,000 in federal financial assistance. However, there are no federal programs that provide financial grants for school construction or renovation. Therefore, no single audit of school construction projects is required or completed.

Without documentation supporting project costs and auditing school building aid projects, the Office of School Building Aid cannot be sure school districts are claiming the correct school building aid amounts or whether its program resources are used appropriately.

2.2 Project Cost And Payment Issues (Continued)

Observation No. 8: School Building Aid Project Costs Should Be Documented And Verified (Continued)

Recommendation:

The State Board of Education should promulgate administrative rules requiring school districts seeking school building aid to accumulate and maintain supporting documentation for claimed school building construction or renovation projects. The department should also ensure building aid requirements are completed and verify claimed costs through an internal audit process. The department may wish to consider using its internal auditor for this function, or add staff to the Office of School Building Aid to accomplish this function.

Auditee Response:

The Department concurs in part. School districts do accumulate and maintain supporting documentation for claimed expenditures but this material is not submitted to the Office of School Building Aid.

School districts submit revenues and expenditures for building projects to the Department of Revenue Administration for the purpose of setting tax rates and to the Department of Education on DOE 25 forms. Local audits are performed by independent auditors as determined necessary by local personnel, usually on an annual basis.

The Department's internal auditor deals only with federal funds. While additional auditing would no doubt be desirable, the Department does not believe the potential for abuse or error is great enough to justify the resources that would be required from a cost/benefit perspective to carry out this recommendation.

Observation No. 9

Control Cards Need Adequate Supervisory Review

Under current Office of School Building Aid practices, the statistical clerk creates a control card for each project when the project meets preliminary approval requirements. The control card consists of a spreadsheet printout containing information such as: 1) project name, project number, and district; 2) number of years building aid will be paid (based on financing method and term); 3) building aid percent (based on district type); 4) project cost; and 5) a projected payment schedule.

The control card governs the amounts paid to the school district over the life of the project. However, the control card receives no independent review for accuracy or completeness. The statistical clerk stated no one reviews control cards she creates. The school building aid administrator stated he only reviewed control cards when serious errors were found or suspected. He also stated he relied on school districts to report errors when the office sends out its annual aid confirmation form.

2.2 Project Cost And Payment Issues (Continued)

Observation No. 9: Control Cards Need Adequate Supervisory Review (Continued)

We found several mathematical and typographical errors in control cards during our file review. A few examples are shown below:

- 1) A control card was created for a \$12 million project a year before bonds to finance the project were actually sold. When the error was discovered, a new control card was created that accounted for the first year overpayment by deducting the \$179,070 payment from the amount eligible over the 15-year repayment period.
- 2) The project cost on an A24F form was increased from \$231,731 to \$341,731 in August 1999. However, the correction was never made to the project's control card, resulting in an underpayment of \$60,500 to the school district. Despite the office's confirmation process, the school district never questioned its payment amount. We reported the error to school building aid officials in March 2001.
- 3) The total project cost eligible for school building aid as shown on a control card exceeded the eligible amount reported on the A24F form by \$12,284, resulting in an overpayment to the school district of \$3,685. There is no documentation in the file to explain why the control card amount is higher than the project cost shown on the A24F form. We reported this error to school building aid officials in March 2001. They now report the file was missing a form that accounts for this difference.
- 4) An A24F form was submitted containing an addition error overstating project costs by \$10,000. This error was carried through to the control card resulting in an overpayment to the school district of \$3,000.
- 5) A mathematical error in a control card for a ten-year project costing a total of \$855,000 resulted in reimbursement of \$255,000 rather than \$256,500, a difference of \$1,500 the district should receive. We informed the statistical clerk and the error was corrected.
- 6) A \$760,540 renovation project was initially reimbursed at 40 percent rather than the correct 30 percent rate. The error was detected by the office after two years and corrected by reducing the payments in remaining years by \$875 each.
- 7) A transposition error from the supplemental appropriation form in the amount of \$85,176 to the \$85,716 amount recorded on the control card resulted in a school building aid overpayment of \$270 to the school district.

Good management practices include process control mechanisms that will ensure the amount paid to school districts is accurate. These errors demonstrate the confirmation process alone is not sufficient as errors still occurred and were not detected. Without sufficient supervisory review of control cards, it is likely that errors in payment schedules will not be detected and corrected resulting in school districts either receiving too much or too little school building aid than statutorily allowed.

2.2 Project Cost And Payment Issues (Continued)

Observation No. 9: Control Cards Need Adequate Supervisory Review (Continued)

Recommendation:

All control cards should be reviewed and approved by the school building aid administrator for accuracy. Each change to a control card should show approval by the administrator.

The Department of Education should consider developing a computer database that can accept all school building project data, including cost information, and automatically calculate the school building aid amount. However, even an electronic database does not eliminate the need for supervisory review. The school building aid administrator or someone else independent of the data input function should review data entry in order to ensure the correct information is input into the system.

Auditee Response:

The Department concurs. We too would like to see a zero-defect operation but we are not sure that it's possible given the volume of work and fewer than 2 FTE personnel. We do take pride in our ability to detect and correct errors, although perhaps not as quickly as the auditors would hope. Of the several error examples cited, the first was precipitated by the cancellation of a scheduled bond sale (we detected and corrected); the second was an adjustment that the statistical clerk just hadn't made before the checks went out (we detected and corrected); and the third was a missing form which has since been added to the file. The sixth related to confusion as to the apportionment of a project over the grades in an AREA (we detected and corrected, although it took two years).

Examples four, five and seven were not caught by us and demonstrate the validity of the auditors' recommendations. Beginning immediately, the administrator will match all control cards with the amount he has approved on the forms and the statistical assistant will be asked to check the addition on the forms submitted by the districts.

The computer database to be developed for School Building Aid will be able to accept all project data including cost information and payment calculations as automatic functions. The database will allow the administrator to track the status of projects and to respond to queries quickly that now require physical access to each project file folder. As indicated above, anticipated completion date is June 30, 2003.

2.3 Management Issues

Management is responsible for efficient and effective agency operations. The principal tools available to public managers to direct and communicate program goals are written policies and procedures. These documents guide the actions of subordinates to accomplish management's goals and also help to ensure program continuity in the wake of staff

2.3 Management Issues (Continued)

changes. We found four areas needing policies or procedures, including the need to clearly define what is considered “excessive or unreasonable” project costs and “substantial renovations.”

As noted in the introductory section, the school building aid program, the regional vocational center construction and renovation program, and the kindergarten construction program are all operated by different organizational units within the Department of Education. To improve efficiency, we found the department should better coordinate its construction and renovation programs. The department should also use computer tools to improve efficiency in transmitting and reviewing architectural designs.

The department’s school construction and renovation programs are used by school districts external to the department. Written program materials and guidance are important to inform these users of program benefits, requirements, and procedures. We found several areas where improvements are needed in the department’s written guidance for the school building aid program, including updating its school building construction manual and improving its forms. In addition, the department should offer periodic workshops and make model educational specifications available to improve the school district’s knowledge of the program and its requirements.

Managers often use historical program data to assist decision-making. We found the department can improve its management by continuing to collect school building data.

Observation No. 10

Explicit Allowable Project Cost Policies Needed

RSA 198:15-c requires the State Board of Education to disapprove projects if in the board’s judgment the planned facility’s cost estimates are “excessive or unreasonable.” As discussed in Observation No. 3, the Office of School Building Aid has assumed responsibility for approving school building aid projects. However, the office has no objective standard to use in determining whether a proposed project is excessive or unreasonable.

The Office of School Building Aid can use historical cost data collected from final school building aid forms to determine whether a proposed project could be considered excessively expensive. We conducted a review of all school building aid project files where the first school building aid payment was made between fiscal years 1995 and 2000. Although six high schools were built during the audit period, only one had sufficient documentation on file to conduct project cost analysis. Only two junior/middle schools were built during the audit period. Therefore, we did not conduct any project cost analysis for high schools or junior/middle schools because of the limited number of schools to analyze, or missing documentation.

We were able to conduct project cost analysis for the seven new elementary schools built between fiscal years 1995 and 2000 that had sufficient data to analyze. The average cost per square foot for these new elementary schools was \$90.89 (inclusive of land costs). The elementary school projects ranged in cost from \$68.93 per square foot to \$112.44 per square

2.3 Management Issues (Continued)

Observation No. 10: Explicit Allowable Project Cost Policies Needed (Continued)

foot. In terms of cost per pupil, projects ranged from a low of \$7,450.00 to a high of \$14,794.00 with the average elementary school project costing \$10,621.05.

Four other New England states (Connecticut, Maine, Massachusetts, and Vermont) use some form of project cost limitations. Connecticut provides a normal range of costs based on historical project costs and requires a written justification for exceeding them. Maine uses an informal limit of \$135 per square foot, including site costs. The project cost limitation in Massachusetts is \$148 per square foot for new elementary schools. This figure includes costs of the general contract, design fees, allowable site preparation, site development, insurance, construction supervision, costs related to the issuance of notes and bonds, contingency amounts, and miscellaneous costs. The cost limits for junior/middle schools and high schools are \$158 per square foot and \$170 per square foot, respectively. Vermont averages its historical project costs and revises the limit annually. Vermont's project cost limit is \$125, \$130, and \$135 per square foot for elementary, middle, and high schools, respectively. This cost per square foot includes demolition, site work, and waste treatment facilities. For Maine, Massachusetts, and Vermont, costs exceeding the limit are ineligible for state aid and must either be borne by the school district or the project must be redesigned to fit within allowable cost limitations.

Without an explicit standard upon which to gauge the reasonableness of proposed project costs, excessively priced projects could potentially get approved and the State would be obligated, within budget constraints, to grant school building aid.

Recommendation:

The Legislature may wish to consider amending RSA 198:15-c to require the Department of Education to establish a cost limit for new construction projects based on historical project cost data. Once amended, the State Board of Education should adopt administrative rules reflecting the amendment and describing the procedure used to determine the cost limit for new school building projects.

The department can use project cost, student capacity, and square footage data obtained from final project forms to calculate the cost limit. The cost limit should be updated annually and should consider construction cost inflation in addition to historical project costs. Land purchase and development costs should be excluded from the analysis to reduce cost variation due to site preparation and property value differentials.

Auditee Response:

The Department concurs that the Legislature may wish to make changes in RSA 198:15. If and when such changes are made the State Board will adopt appropriate rules. The Legislature has been studying School Building Aid for more than three years. The issues raised in the recommendation have been discussed and much information regarding various

2.3 Management Issues (Continued)

Observation No. 10: Explicit Allowable Project Cost Policies Needed (Continued)

cost limit procedures involving students per classroom, gross square footage per student, funding only classrooms, changing the funding formula etc. has been provided to various Legislative Committees.

Inasmuch as we feel that we have never had a project that was “excessive or unreasonable” due to the process local districts have to go through to get bond issues passed (even in communities that receive maximum state aid) we will await direction from the Legislature or the State Board of Education before proceeding further in this arena.

Observation No. 11

Renovation Project Evaluation Needs Improvement

As defined in RSA 198:15-b, IV, the term “construction” includes site acquisition and development; planning, construction, or both of a new building; planning, construction, or both, of additions to existing buildings; architectural and engineering fees; equipment purchases; and substantial renovations. However, the Office of School Building Aid has no clear definition of what constitutes a “substantial renovation.” In addition to classroom renovations, other renovation projects approved by the Office of School Building Aid include roof replacements, window and door replacements, computer equipment, structural upgrades, renovations required by the Americans with Disabilities Act, and building systems replacements (heating, ventilation, air conditioning). The current Office of School Building Aid practice is to decide on a case-by-case basis whether a proposed project is considered a “substantial renovation.” However, without a clear definition of “substantial renovations,” school districts may be left guessing at what is eligible for school building aid and what is not. Additionally, the office leaves itself open to criticism of inconsistent treatment.

The Office of School Building Aid does not provide guidance to school districts to analyze whether it is more economical to renovate or replace a building. Without a renovate-or-replace analysis, the State and the community may spend money renovating buildings that may be more economical to replace. While we acknowledge other factors may be considered, such as historical preservation, these considerations do not preclude an economic analysis.

Recommendation:

The Office of School Building Aid should clearly define “substantial renovations.” The State Board of Education should develop and adopt administrative rules reflecting this definition. The Office of School Building Aid should provide guidance to applicants regarding renovate-or-replace analysis.

Auditee Response:

The Department concurs. Our guidelines for determining “substantial renovations” will be written and included in the revised Manual for Planning and Construction of School Buildings as Administrative Rules. We believe the promulgation of the general rubric used

2.3 Management Issues (Continued)

Observation No. 11: Renovation Project Evaluation Needs Improvement (Continued)

in making these decisions will be of benefit to both local districts and to future department administrators.

Guidance regarding renovate-or-replace analysis is presently offered only as requested and usually through brokered assistance in the identification of resources. This issue also will be addressed in the revised Manual for Planning and Construction of School Buildings when it is completed in June of 2003. Although books have been written on this topic, the department will condense the major points that a district should consider in making a determination as to what type and extent of renovate-or-replace analysis they might profitably utilize. This can be done in a chapter or less.

Observation No. 12

Regional Vocational Center Files Need Better Organization

We examined files for the two regional vocational center construction projects (Milford and Peterborough) completed between fiscal years 1995 and 2000. Both files were located in the school building aid office and lacked organization. Although the files contained all paperwork associated with the project, there was little or no division or categorization of file materials. The files contained contracts between the Department of Education and the district building the regional vocational center, copies of the contracts between the school district and the building contractors, educational specifications for the entire center as well as educational specifications for the individual program areas, equipment lists, construction change orders, financial data, Governor and Council minutes, community oriented promotional materials for the building projects, as well as other types of documents and miscellaneous correspondence.

We also examined documentation for a proposed renovation of an existing regional vocational center. This documentation was located in the Bureau of Career Development within the Division of Adult Learning and Rehabilitation. The documentation was contained within a three-ring binder and was well organized.

Good management practices dictate that files be complete and well organized to facilitate location of documents in the file. Well-organized files can minimize time spent locating needed documents and facilitate project review by the department.

Recommendation:

The Division of Adult Learning and Rehabilitation should establish a standardized file organization format and ensure both its construction and renovation projects are organized according to the standard. The file could be organized in the following categories:

Section 1 - Foundation documents: Letter designating the receiving district high school as a comprehensive high school/regional vocational center, agreement between Department of Education and the receiving district.

2.3 Management Issues (Continued)

Observation No. 12: Regional Vocational Center Files Need Better Organization (Continued)

Section 2 - Financial: Financial activity reports, statutes authorizing funding, Governor and Council minutes authorizing funding, schedule of payments to contractors, other financial documents.

Section 3 - Contracts: Contract with architect, contract with builder(s), change orders, other contracts.

Section 4 - Educational Specifications: Educational specifications by program with accompanying equipment lists.

Section 5 - Community Information: Materials disseminated to local voters.

Section 6 - Miscellaneous: All other documents not fitting any other category.

A checklist may also be helpful to ensure all required information is contained in the file.

Auditee Response:

We concur with the observation and the recommendation. The Career Development Bureau will establish a standardized file organization format. The Bureau has started new files on every Regional Vocational Center that submitted a letter of intent to renovate or expand its center and programs. Any files prior to the passage of the legislation authorizing renovation and dealing with the initial construction of Regional Vocational Technical Centers are the purview of the Office of School Building Aid as the current administrator was the State Director of Vocational-Technical Education and managed those projects as the State Director.

There is a checklist in every existing file. There are consistent headings for various sections. We will develop a standardized file format and implement it by September 1, 2001.

Observation No. 13

Administrative Rules Related To Regional Vocational Center Renovations Need Review And Revision

Statutory changes were made to RSA 188-E:10, regarding the regional vocational center renovation project approval process, during the 2000 session of the General Court. The new approval process requires a project to be submitted to the Department of Administrative Services for inclusion in the Capital Budget in accordance with RSA 9:3-a. Administrative Rule Ed 1402.04 currently requires project approval by the Department of Education followed by a recommendation for funding a project as proposed legislation to the chairman of the appropriate House and Senate Committees. A Division of Adult Learning and Rehabilitation official stated at the time of the interview there were no plans to amend administrative rules until a few projects go through the revised capital budget process.

According to RSA 21-N:9 the State Board of Education is required to adopt rules, pursuant to RSA 541-A, for regional vocational centers. State entities adopt administrative rules in

2.3 Management Issues (Continued)

Observation No. 13: Administrative Rules Related To Regional Vocational Center Renovations Need Review And Revision (Continued)

order to comply with statutes and to have their policies, procedures, and practices legally enforceable on persons outside the agency including members of the general public. The rule making process allows for public and legislative oversight of an agency's operation. In addition, without duly adopted rules required by statute that reflect the policies and practices of the State's regional vocational center renovations, the program may be functioning without proper authority and contrary to legislative intent.

Recommendation:

We recommend the State Board of Education develop and adopt administrative rules reflecting the latest changes to RSA 188-E:10 in accordance with RSA 541-A. We also recommend the Division of Adult Learning and Rehabilitation review other aspects of its administrative rules for areas impacted by the changes in RSA 188-E:10.

Auditee Response:

We concur that the Department should develop and adopt administrative rules reflecting the latest changes to RSA 188-E-10 in accordance with RSA 541-A. In 1997 when RSA 188-E: 3 was amended to include the word "renovation", ED 1400 was re-written. We are in the process of amending the rules again (since RSA 188-E: 10 was amended in June of 2000) to address the capital budget procedure pursuant to RSA9: 3-a. We expect to have draft rules ready by September 2001.

Observation No. 14

Administration Of Department Of Education Construction And Renovation Programs Should Be Better Coordinated

The New Hampshire Department of Education administers three construction and renovation programs for educational facilities. The three programs are school building aid, the regional vocational center construction and renovation program, and the kindergarten construction program. Each program is managed by a different organizational unit within the department.

The Office of School Building Aid, within the Department of Education's Division of Program Support, administers the school building aid program established by RSA 198:15-a. The school building aid administrator reviews construction specifications, building plans, and educational specifications, as well as other application materials in the course of deciding on a district's eligibility for school building aid.

The Bureau of Career Development, within the Division of Adult Learning and Rehabilitation, administers the department's regional vocational center construction and renovation program under RSA 188-E:3. According to the bureau administrator, five educational consultants work with the regional vocational education centers within their assigned region. Their work includes providing regular technical assistance to the centers,

2.3 Management Issues (Continued)

Observation No. 14: Administration Of Department Of Education Construction And Renovation Programs Should Be Better Coordinated (Continued)

assisting with curriculum and professional development, and reviewing the centers' progress towards long-term plans submitted by the center for federal funding eligibility. The consultants are also involved as resources to construction or renovation projects. A team consisting of the bureau administrator, the five education consultants assigned to the regional centers, and an information technology person from the department review and approve new regional vocational center construction and renovation requests.

RSA 198:15-r established the kindergarten construction program to assist school districts in constructing kindergarten facilities. Effective July 1, 1997 through June 30, 2002, the program provides grants for both existing and start-up kindergarten programs. The program is administered by the Department of Education Commissioner's office.

Eligibility for these three construction and renovation programs often overlap. Projects can receive funding from one or more of these programs. Both RSA 198:15-r, IV (kindergarten construction aid) and RSA 188-E:3, II (regional vocational centers) allow remaining project costs to be eligible for school building aid. For example, a kindergarten addition to an elementary school receives kindergarten aid for 75 percent of the actual cost of the kindergarten construction project. The remaining 25 percent of the project costs are eligible for school building aid at the district's applicable school building aid rate, which may range between 30 percent and 55 percent.

Each program has its own application process and documentation requirements. To access funding from these programs, the applicant must separately apply to each program and meet eligibility requirements for each program. This may result in duplication of effort by the school district, as it has to file multiple applications. The Department of Education also duplicates its efforts by establishing multiple processes for accepting, reviewing, and processing applications. In addition, if the department does not adequately coordinate the programs, it may pay twice for the same expenditures.

Recommendation:

The Department of Education should better coordinate its construction and renovation programs. All applications for any construction or renovation aid should be received and processed at a central point. Application forms, processes, and documentation required should be standardized to the maximum extent possible. The department should formalize the review process by developing a multidisciplinary team consisting of those knowledgeable in school building construction and appropriate curriculum specialists. The State Board of Education should revise its administrative rules as needed to reflect these changes.

2.3 Management Issues (Continued)

Observation No. 14: Administration Of Department Of Education Construction And Renovation Programs Should Be Better Coordinated (Continued)

Auditee Response:

The Department concurs. Increased coordination is desirable and standardization and reduction of duplication for local districts in submission of forms should be helpful. A multidisciplinary team approach to project administration is a hallmark of the Department. The Commissioner's Cabinet will determine which Department entity will serve as the central review point and will make appropriate recommendations to the State Board for rule changes as needed.

Observation No. 15

Computer Software Capable Of Displaying Architectural Plans Needed

One of the school building aid administrator's functions is to review preliminary drawings and final plans and specifications for school building construction and renovation projects. The plans are reviewed for compliance with school building laws and administrative rules, to ensure the building plans match the needs outlined in the educational specifications. Currently, architects and engineers typically send copies of their school building construction and renovation plans to the school building aid office via mail or delivery service. The school building aid administrator estimated the cost to reproduce and ship school building plans as \$200 to \$300 for each plan submitted. Although the reproduction and shipping costs are initially borne by the architect, the cost is passed on to the school district and eventually reimbursed at the district's school building aid rate ranging between 30 and 55 percent. The plans are then stored in the administrator's office until the project is completed.

A computer capable of displaying architectural plans of school building construction and renovation projects could be used to reduce the cost of reproduction and transmittal. The plans could also be written to CD-ROM for easier storage. We contacted six of the most frequently used architects and engineering firms for school building construction and renovation projects in New Hampshire and all were supportive of the concept of submitting plans electronically. All but one used design software called AutoCAD. The administrator reported his current computer exceeds the minimum system requirements needed to operate AutoCAD 2000. AutoCAD 2000 costs \$2,325 for government agencies.

Recommendation:

The Office of School Building Aid should consider purchasing the latest version of AutoCAD for use in evaluating school building construction and renovation projects. Once purchased and installed, the office can begin accepting plans electronically, either through e-mail or delivered on CD-ROM. Regardless of the delivery method, the office should store plans on CD-ROM for easy accessibility for the life of the building. The office should also determine the best way to ensure plans are "stamped" by the architect or engineer as required by

2.3 Management Issues (Continued)

Observation No. 15: Computer Software Capable Of Displaying Architectural Plans Needed (Continued)

administrative rules. Administrative rules should be updated reflecting this new submission media and certification process.

Auditee Response:

The Department concurs. AutoCAD software will be purchased and installed by January 2003. Training for the administrator will take place in the spring of 2003. Prior to the installation, the Department will consider how to best provide technical support for CAD software since that capability does not presently exist.

Observation No. 16

School Building Planning And Construction Manual Needs Revision

The New Hampshire Department of Education publishes a *Manual for Planning and Construction of School Buildings* that provides guidance to local school districts in constructing and renovating school buildings. This comprehensive manual provides guidance on planning educational facilities, legal requirements, the roles of architects and engineers, educational specifications, site selection, school design and construction considerations, energy conservation, instructional considerations, standards for instructional and auxiliary spaces, furniture and equipment considerations, fire and health safety requirements, financing, presenting projects to the public, and school building aid application procedures. While many of these areas are timeless, much of the manual is outdated. Since the manual was published in 1975, there have been significant changes to school building aid processes, statutes and administrative rules, and building codes cited in the manual.

The partial list shown below contains items cited in the manual, but are not consistent with current practices, building codes, and laws.

- The manual correctly states the State Board of Education is responsible for review and approval of all school building plans, specifications, and cost estimates prior to the start of construction. However, as we note in Observation No. 3, school building projects are reviewed and approved solely by the Office of School Building Aid. A “building aid team” consisting of the school building aid administrator, the statistical clerk, and the Division of Program Support director makes final decisions on which projects receive approval.
- The manual describes the procedure a local school board must use to appeal to the State Board of Education for a waiver of the site size requirement. In actuality, as we note in Observation No. 3, the school building aid administrator grants exceptions to schools requesting waivers from State minimum site size and classroom size standards.

2.3 Management Issues (Continued)

Observation No. 16: School Building Planning And Construction Manual Needs Revision (Continued)

- The manual requires plans and specifications to meet the minimum requirements of the Life Safety Code, 1973 edition. This code, and other safety and building codes, have been amended numerous times since the manual was written.
- The manual requires compliance with RSA 155:8-a, "Making Buildings Accessible To, And Usable By, The Physically Handicapped". RSA 155:8-a was repealed in 1977. The statute now governing barrier free access is RSA 275-C:10 et seq.
- The manual refers to the New Hampshire Water Supply And Pollution Control Commission as the controlling authority for water supply and sewage issues under RSA 148 and 149-E. These chapters were repealed effective January 1, 1990. The Department of Environmental Services is now responsible for water supply and waste.
- The manual requires compliance with Administrative Rule He-P 2350.01, which requires plans for new or extensively remodeled food service facilities be reviewed and approved by the Division of Public Health. This rule appears to have been re-codified as He-P 2302.17.

It does not appear department management has made updating the manual a priority. Good business practices dictate the use of up-to-date instructional materials. The manual's usefulness to intended users may be limited without up-to-date information regarding current processes, statutes, and rules. School districts may be misguided if they rely on the manual for procedural direction, resulting in wasted time and money. A complete and accurate manual reduces time and money spent consulting additional sources for guidance that adequate instructional material could provide. A complete and accurate manual may also reduce the number of phone calls and meetings requested of school building aid staff which may in turn free up more time for school building aid staff to engage in other activities.

Recommendation:

Department of Education management needs to make updating the State's *Manual for Planning and Construction of School Buildings* a priority. The existing manual should be comprehensively reviewed for areas that depart from current laws and practices. The revised manual could then be placed on the department's web site for easy accessibility by the public.

Auditee Response:

The Department concurs. The revision of the manual will occur immediately following the revisions to the process and changes to the forms and instructions, (laws and regulations if

2.3 Management Issues (Continued)

Observation No. 16: School Building Planning And Construction Manual Needs Revision (Continued)

necessary) referenced in previous recommendations. Target date for completion of the revised manual is June 30, 2003.

Observation No. 17

Improvements In School Building Aid Forms Needed

During our audit fieldwork, we noted several issues with forms used by the Office of School Building Aid.

- The current set of school building aid forms have no instruction set guiding applicants on how to complete the forms. For some questions on the forms, it is difficult to determine what information is requested. For example, under a heading of "Construction Data" the A26 form "Project Specifications and Unit Costs" lists "structural system," "floor construction," "heating system," "interior partitions," etc., with only a blank line following the subheading. It is not clear from the form whether the form seeks costs, materials used, or specifications. Without complete instructions, applicants may not understand what information is requested and may supply erroneous information, based on their own understanding of what is requested. Complete and accurate instructions are especially important when inexperienced school district staff are completing the forms. This may result in inconsistent information captured on the forms, making it difficult for school building aid staff to provide accurate program information such as construction cost per square foot.
- There is a timing error between the requirements of State statutes and administrative rules and information required on the A24F form "Application for Approval of Final Plans and Specifications for School Building Aid." Department of Education administrative rules require school building construction or renovation projects to receive final approval by the State Board of Education before the project is put out to bid. However, the A24F form appears to assume the project has already been put out to bid and the project is completed by requiring final cost figures for the project and the date the general contract was signed.
- Some of the information requested by the forms is redundant. For example, both the A24F and the A26 forms are generally submitted simultaneously. Both forms request project cost information.
- Information that can easily be calculated by a computerized database from supplied information should not be requested on the forms. This will save the applicant time completing the form and ensure accuracy of the calculated amount.

The school building aid administrator reports the office has initiated form revisions in the past and is currently revising the forms.

2.3 Management Issues (Continued)

Observation No. 17: Improvements In School Building Aid Forms Needed (Continued)

Recommendation:

The Office of School Building Aid should evaluate its current forms based on requirements of school building aid laws, administrative rules, and process and make necessary changes. As a guiding principle, forms should be consolidated and eliminated whenever possible. Accurate instructions should be provided with all forms so applicants can understand how to complete the form. Redundant requests for information should be removed. Administrative rules should also be revised to reflect any changes made to the forms.

Because of issues identified in Observation No. 7 related to the accuracy of building aid “control cards” and the issues discussed above, the Department of Education should consider offering internet-based forms with electronic submission, tied directly to a database as an option for local school districts seeking school building aid. Using this database, calculations based on supplied information can be best accomplished using a calculated field in the database. Before undertaking development efforts, the department should determine whether this database is best suited as a stand alone computerized application or as part of an existing system. The department should also assess whether it has the technical capabilities and staff capacity to undertake such a project.

Auditee Response:

The Department concurs. The forms are being evaluated and changes to the forms, directions, procedures (and rules/laws if necessary) will be proposed. This on-going process has been slowed by the administrator’s participation in legislative study committees, this audit, federal issues (QZAB’S/Federal Emergency Aid) and a building boom over the last several years. Nevertheless we expect to have it completed by June 30, 2002.

Some preliminary design work toward the establishment of School Building Aid Database has been done previously. Many of the functional requirements have been identified. These will be reassessed relative to the integrated or stand-alone approach, although the original notion was that it would be integrated. The Department will also reassess this project priority in the light of all other IT priorities to provide for completion by June 30, 2003.

Observation No. 18

**Model Educational Specifications
Should Be Identified And Made
Available**

Department of Education Administrative Rule Ed 305.12 requires school districts applying for school building aid to submit written educational specifications to the Office of School Building Aid during the preliminary approval process. Educational specifications are descriptions of the educational program to be provided, along with the planned number of students, and spaces needed to support the educational program. Architects and engineers use educational specifications to design the school building and site. According to the Office of School

2.3 Management Issues (Continued)

Observation No. 18: Model Educational Specifications Should Be Identified And Made Available (Continued)

Building Aid publication *Manual for Planning and Construction of School Buildings*, educational specifications should minimally describe: (1) the community to be served, (2) pupils to be served, (3) educational program to be housed, (4) general environmental considerations for the facility, (5) instructional areas, (6) supportive areas, (7) community programs to be housed, and (8) site considerations. Aside from these requirements listed in the manual, the Office of School Building Aid does not provide examples of model educational specifications it considers to be well done. Our survey of school district officials who have used the school building aid program revealed 85 percent of those responding to the question stated model educational specifications would be helpful in planning their school construction or renovation project.

Model educational specifications could be used by school districts as a guide in developing comprehensive educational specifications. Using model educational specifications may improve the quality of specifications submitted by school districts. They may also reduce time spent by school districts in creating the document as they have a better sense of what others have used for educational specifications and what is required.

Recommendation:

The Office of School Building Aid should identify model educational specifications for new construction, additions, and renovations. The models could be placed on the Department of Education's web site for easy access and use by school districts.

Auditee Response:

The Department concurs in part. Certainly the guidance the Department provides regarding educational specifications can be improved, but we do not think that model education specifications is the answer for several reasons.

First, we believe that local school buildings should reflect the programs to be housed and the communities and students they serve. The State should (and does) provide minimum standards, which tend to make schools look alike to some extent, already. As long as the majority of the costs are being paid by the local communities who may have to live with the building for fifty or more years we do not favor increased standardization.

Second, the emphases in educational specifications vary according to grade level and type of construction projects. We could devise three sets of educational specs for new traditional elementary schools. For example, a bare bones model, an average or typical model and a third that would allow for the housing of programs of educational excellence. The same could be done for middle schools and high schools although there is more opportunity for variation as one moves up in grades. In too many cases communities strive for the minimum, rather than for excellence.

2.3 Management Issues (Continued)

Observation No. 18: Model Educational Specifications Should Be Identified And Made Available (Continued)

Third, the type of project dictates the level of complexity of the educational specifications. Adding four standard classrooms to house an additional eighty students does not beg for the level of detail and complexity of thought that might be required for the design of a new middle school. Educational specifications for a new school may run to thirty pages; for a roof replacement project maybe a paragraph or two will do.

In summary, we are an educational entity. We believe we do our clientele a greater service by providing them the questions and encouraging them and working with them to find the answers than by simply giving them the answers even though they might prefer the latter.

Observation No. 19

Periodic School Building Aid Training Workshops Should Be Provided

There is currently no formal training of school district personnel on the policies or procedures of the school building aid program. As we report in Observation No. 16, the only available written information is the program's enabling statute, administrative rules, and an outdated school construction manual. A survey of school district officials who have used the school building aid program revealed that 75 percent of those responding wanted periodic workshops. School building aid officials stated turnover of school district personnel is a problem, as new personnel do not have knowledge or awareness of the school building aid program. The school building aid administrator expressed an interest in holding training workshops.

To operate efficiently and effectively, programs of any complexity should provide training to users to familiarize them with policies and procedures necessary to utilize the program. Training workshops could improve applicants' knowledge of the school building aid program, thereby reducing time wasted by applicants and school building aid office personnel dealing with questions that could have been avoided had there been prior exposure to the program's policies and procedures. The school building aid office has focused on the most basic functions, such as review and approval of applications and plans, providing information for program applicants, determining grant amounts, and making payments.

Recommendation:

The School Building Aid office should develop and present a workshop for local school district personnel to provide information regarding school building aid policies and procedures. The training could include an overview of the program, including the laws and administrative rules, how to complete forms, application deadlines and timeline for project funding, project eligibility, and writing educational specifications. The workshop should occur annually and be presented well before the January 1 statutory application deadline to enable interested districts to submit applications.

2.3 Management Issues (Continued)

Observation No. 19: Periodic School Building Aid Training Workshops Should Be Provided (Continued)

Auditee Response:

The Department concurs. Although the administrator meets with the school business administrators monthly (NHASBO) and is in touch with them on a daily basis via their LISTSERVE, there is never enough time to cover all the issues that could be addressed in a workshop. The first workshop will be planned for a date closely following the redesign of the forms and the rewriting of the instructions referenced in Observation No. 17.

Observation No. 20

School Building Data Collection Needs To Continue

Chapter 267:3 of the Laws of 1998 required the State Board of Education to commission a study to determine the adequacy and condition of New Hampshire public school facilities. An architectural firm conducted this study between January and July 2000, and the board issued the report as required on September 1, 2000 (Appendix C). The study consisted primarily of a questionnaire distributed to local school officials to obtain basic information regarding their school buildings and their opinions regarding the qualitative aspects of their school facilities.

In addition to capturing qualitative information, the questionnaire collected data elements useful in administering the school building aid program. For example, the questionnaire requested the building name, site acreage, gross building square footage, original date of construction and years of additions, grades housed, student capacity, current enrollment, projected student populations for five- and ten-year time frames, number of teaching stations, number of floors, type of heating system and energy source, type of construction, exterior surfacing, and several other data elements.

A 1995 study conducted by the U.S. General Accounting Office found only 10 states, including New Hampshire, maintained extremely limited or no information on facilities. The information obtained from New Hampshire's one-time study could be used as a foundation for the Office of School Building Aid's efforts to collect Statewide school facility information on an on-going basis. This information can be maintained in a database by school building aid staff and updated as school construction and renovation projects are approved and completed. This information can then be used for school building aid planning purposes and to provide information to Legislators and the public regarding the State's school buildings.

Recommendation:

The Office of School Building Aid should collect school building data on a continuing basis. This information should be updated as school construction and renovation projects receive final approval.

The Office of School Building Aid should also consider a biennial survey of school business administrators to ascertain their plans to build or renovate their school

2.3 Management Issues (Continued)

Observation No. 20: School Building Data Collection Needs To Continue (Continued)

buildings. The survey could request information such as whether the district plans to build or renovate schools during the next two years, the estimated cost of those projects, the current number of enrolled students, and current student capacity. This information could then be used for planning and budgeting purposes.

Auditee Response:

The Department concurs. We are in the process of getting the survey data input screens up on our web site so that schools can update information regarding the adequacy and condition of their buildings on a continuing basis. We expect to have this system operating on an experimental basis by Sept. 30, 2001 with staff trained and external agencies notified for full operation by the end of January 2002.

A biennial survey would be helpful in establishing the need for upcoming school construction, but would not shed much light on actual future construction because bond issues generally have to be placed before the voters more than once before they pass. Establishing the continuous update for the data collection will be our first priority in this area.

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
CONSTRUCTION AND RENOVATION PROGRAMS**

SCHOOL CONSTRUCTION AND RENOVATION IN NEW ENGLAND

According to a November 1995 U.S. General Accounting Office report, the role of states in supporting school facilities improvements falls into three categories: 1) financial assistance, 2) technical assistance and compliance review, and 3) school building data collection. With the completion of the school building condition survey in 2000, New Hampshire is now involved in all three of these areas.

Financial assistance refers to loans or grants provided for the construction, renovation, or repair of school buildings. Technical assistance encompasses providing information and guidance on funding, construction requirements, planning, architectural matters, educational specifications, and other facilities-related matters. Compliance review includes state review of architectural plans for conformance with fire and building codes, and compliance with state school facilities regulations. School building data collection refers to collecting information on either the condition of school buildings or an inventory of existing buildings.

Many of the school facilities services offered by each of the New England states are consistent. Each of the New England states provide both financial assistance and technical and compliance review. With the exception of Vermont, all other New England states collect school building data. The comparisons presented in this section illustrate how other New England states operate school building assistance programs. These comparisons are for informational purposes only.

3.1 Financial Support

Table 6 shows similarities in the way New England states provide financial support for school facilities projects. All New England states pay a portion of school facilities project principal costs and also spread aid payments over time, rather than pay a lump sum up front. However, not all states provide financial assistance for the cost of borrowing. Connecticut, New Hampshire, and Vermont do not provide assistance for interest costs on bonds used to finance school facilities projects. Prior to 1997, Connecticut assisted with interest costs. Since 1997, Connecticut no longer pays interest costs for new projects, but still pays interest costs for projects initiated prior to the change. Interest costs are eligible for aid in Maine, Massachusetts, and Rhode Island.

Each state has its own formula for calculating the percentage of total eligible costs used in determining the grant amount. With the exception of Vermont, which uses a flat rate of 30 percent, percentages used by the states increase from a base percentage to promote other state goals. For example, both New Hampshire and Rhode Island increase the grant percentage from the base rate of 30 percent to promote school consolidation. Rhode Island also increases the grant percentage an additional four percent for each project involving energy conservation, access for people with disabilities, or asbestos removal. In Connecticut, school districts can receive an additional ten percent for “lighthouse” schools

3.1 Financial Support (Continued)

and seating space for out-of-district students. Massachusetts adds percentage points for maintenance (up to 8 percent), renovation (5 percent), energy efficiency (2 percent), alternatives to construction (4 percent), innovative community use (3 percent), or using a project manager (2 percent).

Table 6

Payment And Funding Practices In New England States							
		NH	CT	MA	ME	RI	VT
Does the program provide assistance for some portion of principal costs?		YES	YES	YES	YES	YES	YES
Does the program provide assistance for interest costs?		NO	NO ¹	YES	YES	YES	NO
Are aid payments spread over time, rather than a lump sum payment made at the beginning of the project?		YES	YES	YES	YES	YES	YES ²
What portion of eligible costs is paid by the state?	Minimum	30%	20%	50%	N/A ³	30%	30%
	Maximum	55%	85% ⁴	90%	N/A ³	None	30%
Are property values considered in determining the amount of aid?		NO	YES	YES	YES	YES	NO
Is per capita income considered in determining the amount of aid?		NO	YES	YES	NO	NO	NO
Is there a priority system for funding projects?		NO	YES	YES	YES	NO	YES
¹ Connecticut law changed in 1997 and no longer pays interest costs. ² Vermont normally makes two payments: half at the start of construction and the remaining half upon project completion. ³ N/A – Not Applicable. Maine’s percentage is derived from several calculations, with no established minimum or maximum percentage for aid. ⁴ Secondary and K-12 regional districts receive an additional 5% and 10% respectively, not to exceed 85%. Source: LBA analysis of New England school facilities aid program data.							

Most state formulas also consider the districts’ ability to pay for school facilities projects. Ability to pay is based upon property wealth or income. These factors are often used when attempting to achieve fairness for economically disadvantaged school districts. Both property values and per capita income are part of the funding formula in Connecticut and Massachusetts. Maine and Rhode Island only consider property values when determining aid amounts. New Hampshire and Vermont consider neither property wealth nor income in their grant percentages.

Most states utilize priority systems to determine which projects should be funded when financial resources are not adequate to fund all school facilities projects. Some states rank order projects according to need. For example, Maine and Vermont use a rating system that

3.1 Financial Support (Continued)

assigns points to projects based on the seriousness of the problems the project proposes to correct. More serious problems, such as unsafe building conditions, receive more points. Projects are then rank-ordered according to number of points and are approved until funding is exhausted.

Connecticut and Massachusetts categorize projects according to need and may choose not to fund one or more categories. Connecticut allows its Commissioner of Education to directly authorize projects to correct code violations, install portable classrooms, and to replace roofs without Legislative approval. Projects requiring Legislative approval are ranked according to the following priorities: (1) necessary to execute state mandated programs, (2) necessary to enhance state mandated programs, and (3) other projects such as energy conservation or central administrative facilities. The Connecticut Legislature has historically funded all submitted projects. Massachusetts ranks projects according to categories such as safety and overcrowding. Although funding is provided for each category, if funding runs out for the category the project is placed on a waiting list. New Hampshire and Rhode Island do not use priority systems. New Hampshire statute requires dividing the available appropriation among all projects, reducing the grants to all projects by some fixed percentage.

3.2 Cost Limitations And Exclusions

In all New England states, school facilities aid is granted based on a percentage of eligible costs. Table 7 shows how the New England states compare in limitations and exclusions in their school facilities aid programs. Some states limit their expenditures through their definition of eligible costs. Connecticut, Maine, Massachusetts, and Vermont place limits on the maximum square feet per pupil eligible for state financial assistance. A school district may exceed the limit, but square footage in excess of the maximum is not counted as an eligible cost in computing the grant. Maine, Massachusetts, and Vermont also define a construction cost per square foot. For example, Vermont's cost per square foot standard is set at \$108 per square foot for new elementary schools for building costs and fixed equipment. An additional \$3 per square foot is allowed for demolition, \$9 per square foot for site work, and \$5 per square foot for waste treatment, where necessary. Costs above the set amount are considered ineligible costs and are borne by the school district. Maine has informally set its maximum construction cost per square foot at \$135, including site costs. New Hampshire and Rhode Island do not have these cost containment mechanisms.

Table 7

Limits And Exclusions						
	NH	CT	MA	ME	RI	VT
Are limits on square footage per pupil used to contain eligible costs?	NO	YES	YES	YES	NO	YES
Are limits on cost per square foot used to contain eligible costs?	NO	NO	YES	YES	NO	YES
Is aid granted for projects that are the result of deferred maintenance?	YES	NO	NO	YES	YES	NO
Source: LBA analysis of New England school facilities aid program data.						

3.2 Cost Limitations And Exclusions (Continued)

There are differences among the New England states when it comes to granting aid for projects arising from deferred maintenance. These projects are renovations or replacements necessitated by a school district neglecting routine maintenance on its educational facilities. The neglect may be due to poor maintenance practices or cutting the maintenance budget. New Hampshire, Maine, and Rhode Island grant aid for projects that are the result of deferred maintenance. Maine requires a maintenance plan as part of the application for school facilities assistance. Massachusetts and Vermont exclude funding for projects arising from deferred maintenance. Connecticut's school facilities aid program excludes funding for projects arising from deferred maintenance but selected districts can access funding for these projects through another program.

Most New England states specifically exclude certain projects or costs from school facilities assistance eligibility. As shown in Table 8, costs excluded from eligibility range from furniture to athletic stadiums.

Table 8

Other Specific Exclusions	
New Hampshire	Interest costs; project funding from trusts, bequests, gifts, or insurance proceeds; planning, construction, or both, of additions to existing buildings not resulting in additional pupil capacity; and renovations not deemed substantial.
Connecticut¹	Feasibility studies; facilities leases; site work not directly required as part of a new or expanded facility; site cost over appraised value; service or maintenance contracts; square footage per pupil exceeding standards; site size exceeding standards; computer software except operating systems; administrative or educational staff; relocation of facilities; offsite town improvements; athletic facility lighting, parking, and artificial turf; and ordinary maintenance and repairs.
Maine¹	Site costs for land beyond the maximum site size standard and site costs over appraised value; square footage or square footage cost exceeding standards.
Massachusetts¹	Costs resulting from deferred maintenance, swimming pools, skating rinks, and square footage or square footage cost exceeding standards.
Rhode Island	Projects not funded through general obligation bonds, capital leases, or capital reserve funds; project funding from federal sources or community gifts; projects totaling less than \$60,000 in a given year or ten percent of the school committee's annual expenditures, whichever is less; structures or spaces that are shared with other agencies or designed for non-school uses.
Vermont¹	Structures or spaces designed exclusively for other agencies or services; repair or maintenance that is not an extensive addition, alteration, or renovation; stadiums; school furniture; computers; interest costs; costs resulting from deferred maintenance; land acquisition costs; office space for supervisory union personnel; and square footage cost exceeding standards.
¹ These states have priority systems for funding, which may result in some projects not receiving building aid. Source: LBA analysis of New England school facilities aid program data.	

3.3 Size Standards

Minimum standards are established to ensure educational spaces are adequate for both teaching and learning. While minimum standards are important, consideration must also be given to ensuring classrooms and building sites are not too big. Excessive costs may result if classrooms, school buildings, or building sites are larger than necessary. Table 9 shows minimum and maximum size standards used in each New England state where standards have been established. New Hampshire's standards are consistent with other New England states. However, of the states establishing standards, only New Hampshire has not established maximum standards.

All New England states have minimum or maximum classroom or school building size standards. As shown in Table 9, New Hampshire, Massachusetts, and Rhode Island set minimum classroom size standards. Each of these states require elementary school classrooms to be at least 900 square feet. The minimum size for middle/junior high schools and high schools is slightly smaller in these states. New Hampshire requires its middle/junior high schools and high school classrooms to be at least 800 square feet each while Massachusetts and Rhode Island require only 750 square feet. For grant calculation purposes, Massachusetts and Rhode Island have also established maximum classroom size standards to contain costs to the state.

Table 9

Minimum And Maximum Classroom And Building Size Standards							
Standard	School Type	NH	CT	MA	ME	RI	VT
Minimum Classroom Size (sq. ft.)	Elementary	900	None	900	None	900	None
	Middle/Junior High	800	None	750	None	750	None
	High	800	None	750	None	750	None
Maximum Classroom Size (sq. ft.)	Elementary	None	None	1000	None	1000	None
	Middle/Junior High	None	None	850	None	850	None
	High	None	None	850	None	850	None
Minimum Gross sq. ft. per Student	Elementary	30	None	None	None	None	30
	Middle/Junior High	30	None	None	None	None	30
	High	30	None	None	None	None	30
Maximum Gross sq. ft. per Student	Elementary	None	112-156	115	125	115	120
	Middle/Junior High	None	164-180	135	135	135	140
	High	None	164-194	155	160	155	160
Source: LBA analysis of New England school facilities aid program data.							

Connecticut, Maine, Massachusetts, Rhode Island, and Vermont take a different approach to setting size standards. These states base maximum building sizes on planned student capacity by establishing a maximum gross square feet per student standard. This standard is used primarily to calculate school facilities aid for the project. For example, Vermont uses

3.3 Size Standards (Continued)

120 gross square feet per student for elementary schools. This results in a maximum building size of 30,000 square feet eligible for state aid.

New England states utilizing site size standards use the same method of establishing the acceptable site size. A base number of acres for each school type is required. An additional acre is then added to the base number for every 100 students. As Table 10 shows, New Hampshire and Maine have the same minimum site size requirements for each school type. Maine also has a maximum site size limit. Maine’s aid program does not support costs in excess of the limit. Connecticut has no minimum site size, but it does have maximum site size standards that contain costs similar to Maine. Massachusetts and Vermont have no site size restrictions. Rhode Island has only minimum standards, but double the base acreage used by New Hampshire and Maine.

Table 10

Minimum And Maximum Site Size							
Site Size¹	School Type	NH	CT	MA	ME	RI	VT
Minimum	Elementary	5	None	None	5	10	None
	Middle/Junior High	10	None	None	10	20	None
	High	15	None	None	15	30	None
Maximum	Elementary	None	10	None	20	None	None
	Middle/Junior High	None	15	None	25	None	None
	High	None	20	None	30	None	None
¹ Base acreage + one acre per 100 students. Source: LBA analysis of New England school facilities aid program data.							

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
CONSTRUCTION AND RENOVATION PROGRAMS**

CONCLUSION

Through the Department of Education's school building construction and renovation programs, the State has demonstrated its commitment to assisting local communities in meeting the needs of their school districts. The programs cover the three categories of state level school facilities assistance defined by the U.S. General Accounting Office: financial assistance, compliance and technical review, and school building data collection. Our comparison among New England states found that New Hampshire's school building aid program is similar in many ways to those in the region. One significant difference is the absence of cost containment strategies used by the other New England states.

The Department of Education needs to improve its management of the school building aid program. Our audit work found several compliance, cost and payment, and general management issues that need to be addressed. We found the Office of School Building Aid did not comply with several important laws and its own administrative rules. The most significant areas of non-compliance were approving addition projects that did not add pupil capacity, and making building aid grants before all required documents, including final costs, had been submitted. Because the office begins grant payments before final project costs are submitted, we found several localities receiving incorrect grant amounts. We further believe the office's current payment practices are inefficient and lack managerial oversight as errors are not detected and corrected in a timely manner. We are also concerned with the practice of granting State funds without verifying whether the claimed costs are valid. Finally, program management can be improved by adopting explicit policies defining "excessive or unreasonable" costs and "substantial renovations." It is our belief that acting on these issues will increase the efficiency and effectiveness of the department's efforts in assisting localities with financing school construction.

Based on the school building condition study conducted during the summer of 2000 (Appendix C), approximately 56 percent of the State's school buildings were built prior to 1960. As these buildings continue to age, school building aid will be required to repair, renovate, or replace these facilities. Furthermore, the survey reported that enrollment is approaching capacity in most regions of the State and exceeding capacity for the south central region. Given this information, we encourage the Legislature and the Department of Education to consider the recommendations made in this report to improve the efficiency and effectiveness of the department's school construction and renovation programs to meet the school facilities demands of the future.

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**APPENDIX A
DEPARTMENT RESPONSE**

Nicholas C. Donahue
COMMISSIONER
Tel. 603-271-3144



**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
101 Pleasant Street
Concord, N.H. 03301
FAX 603-271-1953**

August 30, 2001

Citizens Services Line 1-800-339-9900

Ms. Catherine A. Provencher, CPA
Director of Audits
Office of the Legislative Budget Assistant - Audit Division
State House - Room 102

Dear Ms. Provencher,

The Department of Education, Division of Program Support appreciates this opportunity to respond to the Performance Audit Report of the Office of School Building Aid. We have had the opportunity to review the observations, talk with the auditors, and provide formal responses to the observations and recommendations presented. The Office of School Building Aid will work to address the areas identified.

The Office of School Building Aid works cooperatively with school districts in ensuring that school facilities meet all building codes and are designed to offer the program identified in the district's educational specifications. School Building Aid is available to all school districts and has consistently received strong support from the Legislature, school officials and the general public.

We recognize that improvements can be made to the approval process which will ensure efficiency and accuracy. To this end, the Department has included the development of a School Building Aid database in our Information Technology Plan. The Office of School Building Aid is also reviewing its internal procedures and forms so that issues raised in the audit can be addressed prior to the February 2003 computerization of the program. In fiscal year 2002 administrative rules will be reviewed and recommendations for changes will be presented to the State Board of Education.

We wish to express our appreciation for the thorough and capable work of the audit team. They were able to quickly grasp the essential elements of what we do and we have benefited greatly from the many discussions we have had with them on a number of issues. We firmly believe that the Office of School Building Aid will be improved as a result of the experience.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicholas Donahue".

Nicholas Donahue
Commissioner of Education

TDD Access: Relay NH 1-800-735-2964
EQUAL OPPORTUNITY EMPLOYER - EQUAL EDUCATIONAL OPPORTUNITIES

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APPENDIX B

NOTES:

- Responses are in bold.
- Totals may not add to 100 percent due to rounding.

State of New Hampshire
 Office of Legislative Budget Assistant
 Construction and Renovation Programs Performance Audit

School Building Aid Survey

Purpose and Confidentiality: The purpose of this survey is to assess the New Hampshire Department of Education’s School Building Aid program. The survey is intended for individuals experienced with the School Building Aid program. **All responses are confidential.** We ask for your name in order to track the receipt of surveys and to follow up on responses if needed. Your responses will be combined with others and will be reported as aggregate data in our final report.

Question Format: The questions primarily consist of scaled responses with some Yes/No responses. **Please note that some Yes/No responses may allow you to skip questions.** You may add additional information and comments about the program at the end of this survey.

Answering Questions: Please answer the survey as honestly and accurately as possible. Select the best answer and completely darken the corresponding circle using blue or black ink, or a pencil. Please fill in circles completely as shown below.

Correct



Incorrect



Name: _____ Position: _____

Years in Position: Less than 1 Year 1-5 Years 6 Years or More
3 (5%) 22 (40%) 30 (55%)

School Administrative Unit Number: _____

Have you personally been involved with a school building construction or renovation program in New Hampshire?

53 (96%) Yes. Please skip to Question 1.

1 (2%) No. Is there someone else within your SAU that has experience with school building construction or renovation programs in New Hampshire?

Yes. Please forward this survey to that person

No. It is not necessary to go any further. Please place the survey in the postage paid envelope provided and mail it to our office before March 30, 2001.

1 (2%) No response

Appendix B – School Building Aid Survey (Continued)

Please use the following scale to rate each question, where applicable:

1 = Excellent 2 = Very Good 3 = Satisfactory 4 = Marginal 5 = Poor 6 = No Opinion/Don't Know
Y = Yes N = No

The following questions refer to the application process and the forms used to apply for School Building Aid.

1. What choice best describes your overall experience with the School Building Aid application process?

① **6 (11%)** ② **23 (42%)** ③ **18 (33%)** ④ **6 (11%)**
⑤ **0 (0%)** ⑥ **2 (4%)** No Response **0**

2. What choice best describes your experience completing the...

a) Application For Site Approval form (A 24 SA)?

① **5 (9%)** ② **14 (26%)** ③ **24 (44%)** ④ **5 (9%)**
⑤ **1 (2%)** ⑥ **5 (9%)** No Response **1**

b) Preliminary Application form (A 24 P)?

① **5 (9%)** ② **17 (31%)** ③ **23 (43%)** ④ **5 (9%)**
⑤ **1 (2%)** ⑥ **3 (6%)** No Response **1**

c) Application For Approval Of Final Plans And Specifications For School Building Aid form (A 24 F)?

① **5 (9%)** ② **17 (31%)** ③ **23 (43%)** ④ **5 (9%)**
⑤ **1 (2%)** ⑥ **3 (6%)** No Response **1**

d) Project Specifications And Unit Costs form (A 26)?

① **5 (9%)** ② **14 (26%)** ③ **26 (48%)** ④ **3 (6%)**
⑤ **1 (2%)** ⑥ **5 (9%)** No Response **1**

The following questions refer to the guidance and assistance you received from School Building Aid program personnel.

3. Did School Building Aid program personnel provide guidance to you in meeting School Building Aid program requirements? (If NO, mark the corresponding circle and go to Question 8.)

Ⓨ **48 (89%)** Ⓝ **6 (11%)** No Response **1**

4. Which items, if any, did you receive from the Office of School Building Aid. (Select all that apply.)

- 18** Administrative Rules
- 22** "Manual for Planning and Construction of School Buildings"
- 11** School Building Aid Laws
- 11** Other **Advice (6); forms (3); other (2).**

Appendix B – School Building Aid Survey (Continued)

5. Pertaining to planning school construction and renovation projects, what choice best describes your experience with the...
- a) **written** guidance provided to you by School Building Aid program personnel?
- | | | | |
|-----------------|-------------------|----------------------|------------------|
| ① 3 (6%) | ② 13 (27%) | ③ 17 (35%) | ④ 6 (13%) |
| ⑤ 1 (2%) | ⑥ 8 (17%) | No Response 7 | |
- b) **verbal** guidance provided to you by School Building Aid program personnel?
- | | | | |
|-------------------|-------------------|----------------------|-----------------|
| ① 13 (26%) | ② 24 (48%) | ③ 8 (16%) | ④ 3 (6%) |
| ⑤ 0 (0%) | ⑥ 2 (4%) | No Response 5 | |
6. Pertaining to the School Building Aid program application process, what choice best describes your experience with the...
- a) **written** guidance provided to you by School Building Aid program personnel?
- | | | | |
|-----------------|-------------------|----------------------|------------------|
| ① 2 (4%) | ② 13 (28%) | ③ 16 (34%) | ④ 7 (15%) |
| ⑤ 1 (2%) | ⑥ 8 (17%) | No Response 8 | |
- b) **verbal** guidance provided to you by School Building Aid program personnel?
- | | | | |
|------------------|-------------------|----------------------|-----------------|
| ① 7 (14%) | ② 30 (61%) | ③ 8 (16%) | ④ 1 (2%) |
| ⑤ 0 (0%) | ⑥ 3 (6%) | No Response 6 | |
7. Pertaining to the School Building Aid program building requirements, what choice best describes your experience with the...
- a) **written** guidance provided to you by School Building Aid program personnel?
- | | | | |
|-----------------|-------------------|----------------------|------------------|
| ① 2 (4%) | ② 10 (21%) | ③ 18 (38%) | ④ 5 (10%) |
| ⑤ 2 (4%) | ⑥ 11 (23%) | No Response 7 | |
- b) **verbal** guidance provided to you by School Building Aid program personnel?
- | | | | |
|------------------|-------------------|----------------------|-----------------|
| ① 8 (16%) | ② 19 (39%) | ③ 14 (29%) | ④ 3 (6%) |
| ⑤ 0 (0%) | ⑥ 5 (10%) | No Response 6 | |
8. What choice best describes your satisfaction with the speed with which program staff responded to your inquiries?
- | | | | |
|------------------|-------------------|----------------------|------------------|
| ① 9 (16%) | ② 19 (35%) | ③ 14 (25%) | ④ 7 (13%) |
| ⑤ 5 (9%) | ⑥ 1 (2%) | No Response 0 | |
9. What choice best describes your experience with the level of technical expertise provided by program staff?
- | | | | |
|-------------------|-------------------|----------------------|-----------------|
| ① 11 (20%) | ② 21 (38%) | ③ 12 (22%) | ④ 5 (9%) |
| ⑤ 1 (2%) | ⑥ 5 (9%) | No Response 0 | |
10. Would periodic workshops on School Building Aid be helpful in completing applications and understanding program requirements?
- | | | | |
|-------------------|-------------------|----------------------|--|
| ① 41 (75%) | ② 14 (25%) | No Response 0 | |
|-------------------|-------------------|----------------------|--|

Appendix B – School Building Aid Survey (Continued)

11. Would model educational specifications be helpful in planning a school construction or renovation project?

47 (85%) **8 (15%)** *No Response 0*

12. Other than additional funding, what other School Building Aid program assistance would be beneficial to you in planning and constructing school buildings? (**17 responses**)

Technical assistance and guidance (5); on-line information (3); revised building aid forms (2); additional building aid staff (2); updated Manual for Planning and Construction of School Buildings (1); quicker responses (1); other (3).

The following questions refer to School Building Aid payments.

13. In your experience, have School Building Aid payments been accurate?

53 (96%) **2 (4%)** *No Response 0*

14. In your experience, have School Building Aid payments been timely, that is, has aid arrived approximately when you expected it?

52 (96%) **2 (4%)** *No Response 1*

15. Assuming only one School Building Aid payment could be made each year, what would be the ideal month to receive your School Building Aid payment? (Select one month only **or** indicate Other choice.)

January **1 (2%)** February **0 (0%)** March **0 (0%)** April **0 (0%)** May **0 (0%)** June **0 (0%)**

July **19 (35%)** August **2 (4%)** September **5 (9%)** October **2 (4%)** November **1 (2%)** December **2 (4%)**

Other:

15 (27%) Payments should continue to be made twice per year in April and October

2 (4%) Payments should be made every month (Annual Payment ÷ 12)

6 (11%) Other payment schedule (Describe):

July & January (2); schedule to meet bond payments (2); July & August (1); August & February (1).

16. What choice best describes your opinion of the current funding formula?

1 (2%) **2 (11%)** **20 (36%)** **18 (33%)**
 8 (15%) **2 (4%)** *No Response 0*

Appendix B – School Building Aid Survey (Continued)

17. The current School Building Aid formula provides a flat percentage of between 30 percent and 55 percent of school building construction or renovation costs depending on the level of school consolidation. In your opinion what other factors, if any, should be considered in the School Building Aid formula? (Check all that apply.)

- 19** Per Capita Income
- 18** Property wealth
- 20** Free and Reduced Meals
- 12** Other

Demonstrated need formula (4); increase percentage and/or flat percentage for all projects (3); guaranteed amount for all districts (1); percentage of tax exempt property in town (1); apply formula to interest payments as well as principal (1) start payments sooner (1); add debt service to adequacy formula (1).

16 None of the above – Leave the formula as is

The last set of questions refers to School Building Aid program standards and exceptions.

18. In general, what is your opinion of school building standards mandated by the School Building Aid program?

- | | | | |
|---------------------------------------|---|---|---------------------------------------|
| <input type="radio"/> 1 2 (4%) | <input type="radio"/> 2 13 (25%) | <input type="radio"/> 3 28 (54%) | <input type="radio"/> 4 4 (8%) |
| <input type="radio"/> 5 3 (6%) | <input type="radio"/> 6 2 (4%) | No Response 3 | |

19. In your opinion, **minimum site size standards** for New Hampshire schools are...

- | | | | |
|--|---|---|-------------------------|
| <input type="radio"/> Too high
8 (16%) | <input type="radio"/> Too low
6 (12%) | <input type="radio"/> Just right
35 (71%) | No Response
6 |
|--|---|---|-------------------------|

20. In your opinion, **minimum room size standards** for New Hampshire schools are...

- | | | | |
|---|--|---|-------------------------|
| <input type="radio"/> Too high
2 (4%) | <input type="radio"/> Too low
12 (23%) | <input type="radio"/> Just right
38 (73%) | No Response
3 |
|---|--|---|-------------------------|

21. Have you ever requested an exception to program regulations? (If NO, mark the corresponding circle and skip to the comments section on the next page.)

- | | | |
|---|---|----------------------|
| <input type="radio"/> Y 13 (24%) | <input type="radio"/> N 42 (76%) | No Response 0 |
|---|---|----------------------|

22. Was your request granted? (If YES, mark the corresponding circle and skip to the comments section on the next page.)

- | | | |
|---|---------------------------------------|-----------------------|
| <input type="radio"/> Y 12 (92%) | <input type="radio"/> N 1 (8%) | No Response 42 |
|---|---------------------------------------|-----------------------|

23. Did you accept the reasons for the administrator’s final ruling? (If NO, please elaborate in the comments section on the next page.)

- | | | |
|---|---------------------------------------|-----------------------|
| <input type="radio"/> Y 6 (100%) | <input type="radio"/> N 0 (0%) | No Response 49 |
|---|---------------------------------------|-----------------------|

Appendix B – School Building Aid Survey (Continued)

Your additional comments regarding the School Building Aid program can be written on the next page or on additional sheets. When making remarks regarding a specific question, please start your comments with the question number. Once you have completed this section, please place the survey in the postage paid envelope provided and mail it to our office before March 30, 2001.

Thank you for your participation!

Comments:

SCHOOL BUILDING AID PERSONNEL: (21 comments)

Support staff is very helpful (9); building aid department needs more staff (9); responses not timely (3).

SCHOOL BUILDING AID WRITTEN MATERIAL: (12 comments)

Building Aid forms need to be revised and updated (4); Manual for Planning and Construction of School Buildings needs to be updated (3); need more guidance on educational specifications (3); would like more detailed and timely written school building aid information (2).

SCHOOL BUILDING AID PAYMENTS: (5 comments)

Building aid payments should be guaranteed (3); payments should be paid upfront (1); payment percentage should be increased (1).

SCHOOL BUILDING AID SUPPORT: (3 comments)

Would like periodic workshops (2); would like on-line information (1).

SCHOOL BUILDING AID STRUCTURES: (2 comments)

Limit aid to necessary not over-designed structures. (2)

SCHOOL BUILDING AID OTHER: (6 comments)

Lack experience with Building Aid process (2); other (4).

APPENDIX C

(Unaudited)



**New Hampshire
State Board of Education**

Response Respecting
Laws of 1998, Chapter 267:3

Report to the Governor and Legislature

September 1, 2000

Appendix C – New Hampshire State Board Of Education Response Respecting
Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)

New Hampshire State Board of Education

	<u>Term Expires</u>
John M. Lewis, Chairman Durham (jmlcsl@mediaone.net)	2002
Ann McArdle Manchester (tmgm@mediaone.net)	2004
Joel C. Olbricht Derry (jco@b-ocpas.com)	2001
David B. Ruedig Concord (mrUEDIG@hotmail.com)	2001
Jeffrey M. Pollock Bedford (jmpollock@merchantbank.com)	2003
Ann M. Logan Amherst (alogans@sheena.nv.com)	2004
Gail F. Paine Intervale (g_paine@unhf.unh.edu)	2004

Commissioner of Education

Dr. Elizabeth M. Twomey
etwomey@ed.state.nh.us

Deputy Commissioner

Nicholas Donohue
ndonohue@ed.state.nh.us

August 31, 2000

Appendix C – New Hampshire State Board Of Education Response Respecting Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)

New Hampshire State Board of Education Response Respecting Laws of 1998, Chapter 267:3

During the 1998 legislative session the New Hampshire General Court passed Chapter 267:3. This required the Board of Education to commission a statewide qualitative study to determine the adequacy and condition of all New Hampshire public school facilities, to review the current method for distributing School Building Aid, and to make pertinent recommendations.

In response to this charge the State Board of Education directed staff from the Department of Education to develop and circulate a Request for Proposals. Three firms submitted bids and The H. L. Turner Group of Concord was selected to design and conduct the study which took place primarily between January and July of 2000. The H.L. Turner Group delivered the attached report this summer. The Turner report summarizes the approach, methodology and results of the survey.

This Report reviews and discusses: (1) Certain limitations of the Turner survey; (2) Our present concerns as to what the Survey suggests; and (3) Our recommendations at this time related to the condition and adequacy of school facilities and to School Building Aid.

Survey and Reporting Process Limitations

Two major limitations of the Turner survey must be emphasized. First, it was a qualitative, "non-technical" self-study, performed within each district by education personnel, not professional engineers. While the Turner staff conducted a number of control type "expert" visits to school districts to check on the validity of the survey results, and found solid accord between survey responses and "expert" reviews, the information compiled remains qualitative impressions from non-experts about the facilities they use. Second, because the data compiled is qualitative in nature, and has been gathered from non-technical sources, it is best used in aggregate form to gain suggestions or impressions about the condition of facilities statewide. While it is possible to draw conclusions about larger groupings of school facilities (e.g. regional groupings) the survey information should not be used to compare individual schools or communities.

With the above caveats stated, it remains our view that the survey contains much useful information, provided by personnel who know their facilities.

The Turner survey provides information covering 391 school buildings. This represents nearly 90% of New Hampshire public schools. Some of the more recent analysis done by the Department however, and included in this section of the report, is based on information provided about 423 buildings. This is so because the Department is continuing to receive information from school districts. While we are pleased with the

Appendix C – New Hampshire State Board Of Education Response Respecting Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)

large sample, the Board's intention is to have information from all of our school districts in the database and available for analysis.

The Board has looked at items from the "Building Data Record" section of the survey questionnaire to develop information as to enrollment vs. capacity of facilities, regional facility capacity circumstances, and the extent to which rented or relocatable space is used by school districts on a regional basis. In addition, the Board intends to work with other State agencies to perform studies. For example, The Office of Community and Public Health (NH Department of Health and Human Services) has offered to assist the New Hampshire Department of Education in the evaluation of indoor environmental quality and related health issues in New Hampshire's schools.

Finally, Department of Education staff will continue to review and analyze the data to answer further questions about the condition of school facilities in New Hampshire within the limits of what staff capacity and the nature of the data allow.

Summary of Results and Concerns

In the strengths and weaknesses section of the Turner Report data elements are sorted in three ways: by strengths, by weaknesses, and according to the seven categories in the questionnaire (site, building, building systems, building maintenance, safety and security, space adequacy and environment for learning).

The survey results raise concerns that a substantial number of our schools may lack satisfactory space for necessary education programs. We are also concerned that the survey results evidence some health and safety issues.

The bases for these concerns are derived from the following data highlights.

Spaces for Learning

The following percentages of survey respondents reported these aspects of their school facilities as weaknesses:

- ◆ Space Adequacy (overall) (42%)
- ◆ Adequate space for Special Education (46%)
- ◆ Meeting areas where students can work together as teams (46%)
- ◆ Adequate space for teacher preparation (42%)
- ◆ Space for music instruction (41%)
- ◆ Art space (40%)
- ◆ Laboratory space (39%)
- ◆ Classroom space (38%)
- ◆ Computer space (36%)
- ◆ Library media space (34%)
- ◆ Noise levels (27%)
- ◆ Accessibility (24%)

Appendix C – New Hampshire State Board Of Education Response Respecting Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)

Health and Safety

The following percentages of survey respondents reported these aspects of their school facilities as weaknesses:

- ◆ Separation of pedestrian and vehicular traffic (59%)
- ◆ Interior temperatures (53%)
- ◆ Safe drop off zones (42%)
- ◆ Fresh inside air (39%)
- ◆ Weather-tight roof (33%)
- ◆ Adequacy of building systems (e.g. boilers, ventilation, electrical, plumbing and windows.) (38%)
- ◆ Reliability of building systems (29%)
- ◆ Controlled entrances (26%)

We have analyzed the age of original construction and have found that 55% of New Hampshire's school facilities were originally constructed before 1960. (See attached graphs #1 and #2) While there has been renovation and modernization of many of the original structures, it remains the case that the original buildings themselves date back, for the majority, over forty years.

A review of the data shows that 221 thousand square feet is reported as leased and/or re-locatable space. While this represents a small percentage of total reported space, we can estimate that it also represents more than 200 re-locatable units in a state with 177 school districts.

A regional analysis shows that most regions of the state are very near full capacity to house students and educational programs, and one region (south central) is over capacity. (See graph #3) In high schools, and to some extent in middle schools, capacity is usually based on a utilization rate of no more than 80% to accommodate the movement of students and variation in class size throughout the school day. The data thus suggest capacity issues.

These results suggest that more attention needs to be focussed on the need for improved school facilities.

Adequate space for Special Education, Art, Music, Library and Media work are important to ensure high quality learning. If we expect higher achievement in the sciences, laboratories and computer stations where students can learn modern science skills are essential.

Professional development has been identified as a critical element of school improvement, yet the survey suggests that in many schools, there is not the space for professional dialogue, debate and collaborative decision-making. While the real world is full of distractions, when more than a quarter of respondents report that noise is a weakness, this raises further questions about the integrity of our learning environments. Access for all of New Hampshire's students is also a must.

Appendix C – New Hampshire State Board Of Education Response Respecting Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)

Then too, there are significant concerns as to the safety of students related to traffic flow in many of our schools and as to the general security of some buildings. Questionable air quality, leaky roofs and the inadequacy and low reliability of mechanical building systems concern us as well.

Learning is dependent on having students and staff who are healthy and safe. It is also dependent on having adequate space to instruct in ways that are consistent with what is known about how students learn best.

Recommendations

The following recommendations are related to the review of the building survey data discussed above and arise from deliberative sessions held by the Board focused on facility concerns and School Building Aid.

The development of these recommendations reflects certain guiding principles adopted by the Board. These are: maintaining effective state and local partnerships in the education effort; using State "incentives" as a way of promoting better local activities while controlling costs; and advancing policies deemed to be needed to ensure the highest educational results for New Hampshire's learners.

We recommend the following:

- 1.) That further studies with more sophisticated analysis of facility issues be carried out. Specifically, these should include a deeper investigation on a comprehensive or sampled basis of a) air quality and temperature management within school facilities, and b) space issues related to educational programs. The nature of the survey used has been described. It was the best resource available for the limited resources allotted.
- 2.) That School Building Aid continue and that it be fully funded by the Legislature regardless of what changes are made in the program. Pro-ration (i.e. not fully funding School Building Aid, but only some part or portion) allows a promise to be unfulfilled on the part of the State.
- 3.) That a mechanism for identifying and monitoring the condition of school buildings at the state level be developed and maintained.
- 4.) That any change in School Building Aid be consistent with New Hampshire having effective State/local partnerships for educational improvement. The State should continue to provide minimum standards for buildings, which will ensure that adequate and appropriate space will be available to conduct educational programs as defined by the local board. Local districts should be allowed the same flexibility in designing and building adequate buildings as they are permitted in designing and building adequate programs.
- 5.) That districts be encouraged to develop building maintenance plans and capital reserve funds either through building aid bonuses or as a condition to receiving School Building Aid.

**Appendix C – New Hampshire State Board Of Education Response Respecting
Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)**

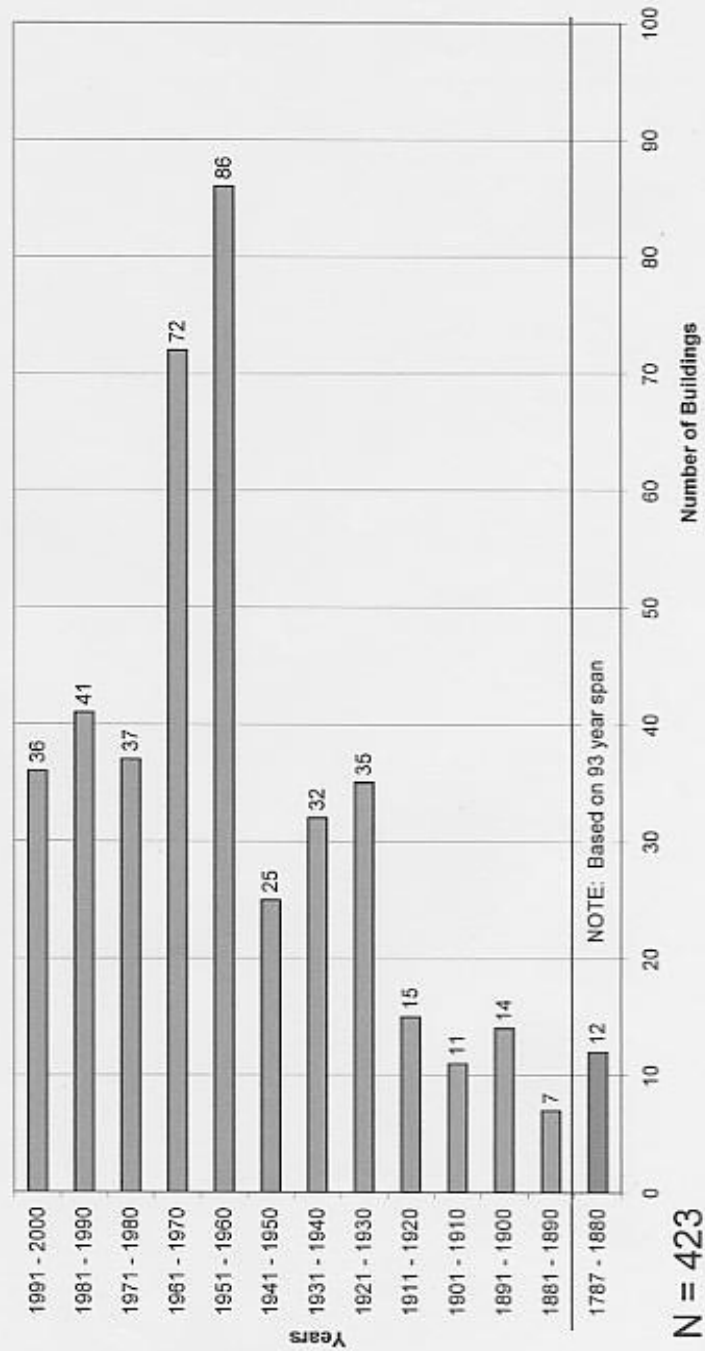
- 6.) That the Legislature should consider whether current bond approval standards are unduly impeding local communities from pursuing facilities improvement. The focus of such consideration should include review as to whether the passage of bond proposals should be made less difficult at the local level by:
- a. Reducing the size or eliminating the supermajority required.
 - b. Bonding School Building Aid and paying the state's portion to the local districts "up front."
 - c. Incorporating incentives for particular types of projects for a limited time period (similar to the kindergarten program), e.g. paying a fixed additional percentage of School Building Aid to those districts that are identified under a more technical school building examination process as having facility needs of substantial urgency.

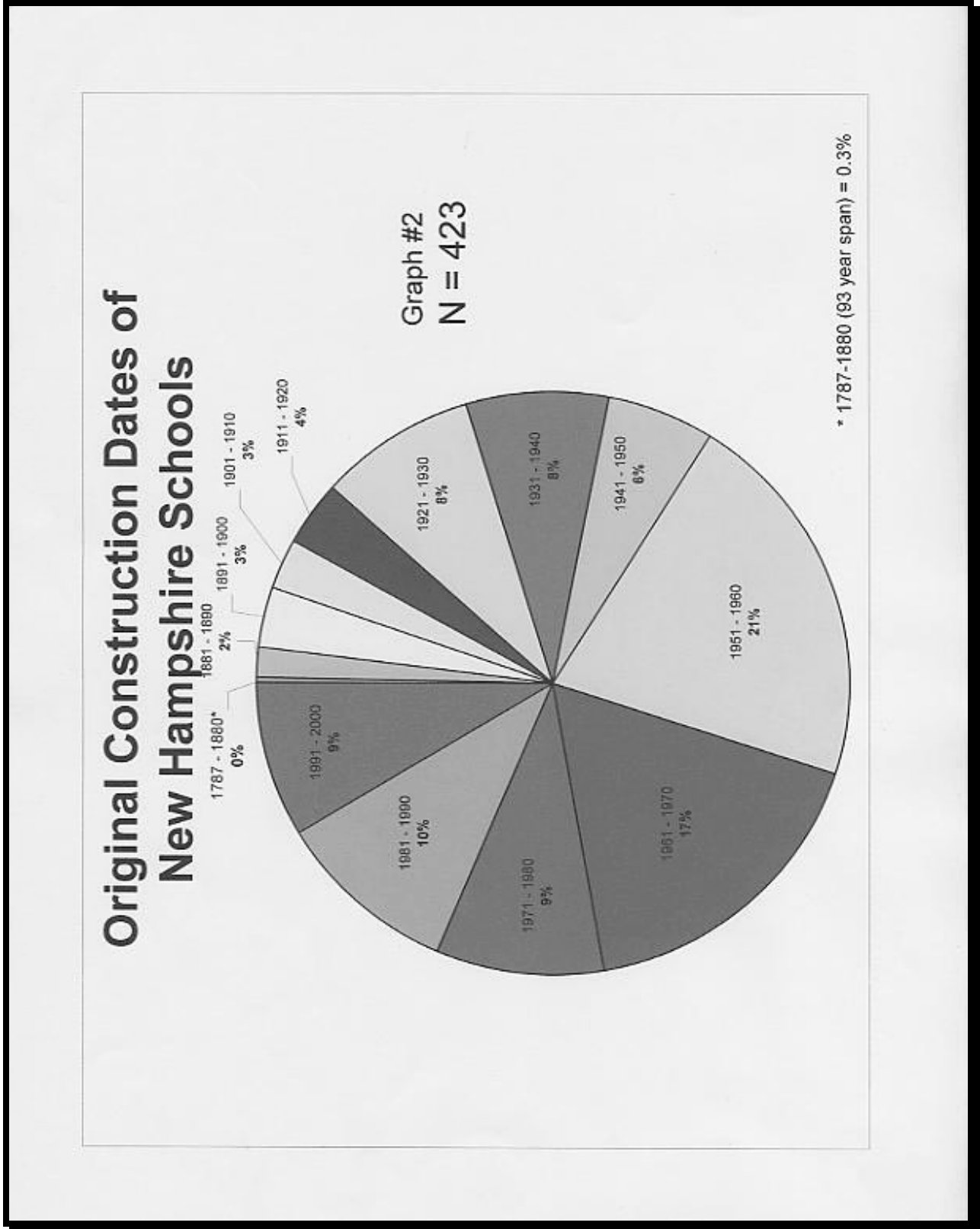
Conclusion

The condition of the places where students learn matters. Our children spend most of their day in our schoolrooms. Clean air, enough room, safe settings all impact education.

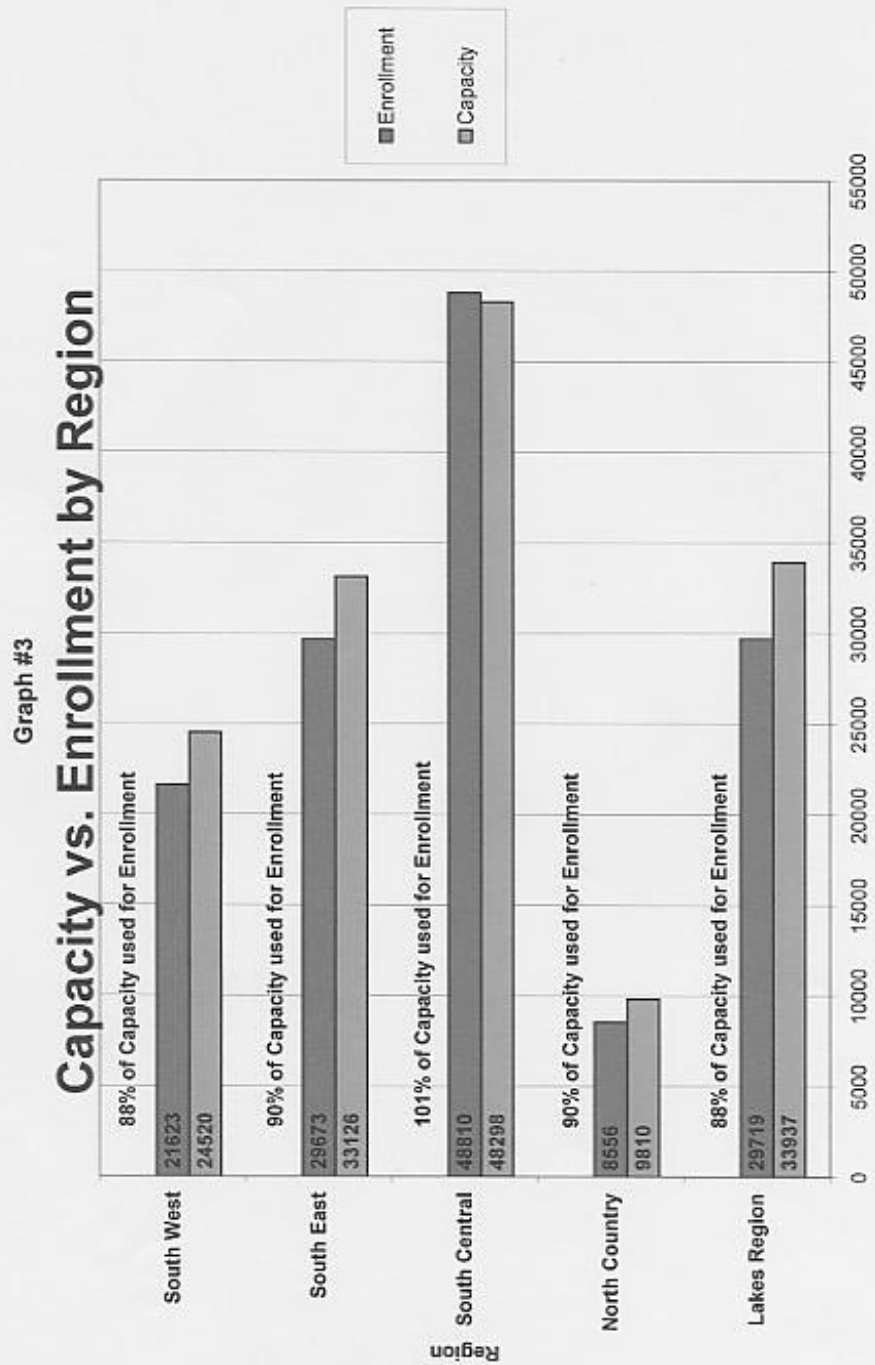
New Hampshire's facilities need work. We have a School Building Aid program that can be adjusted and refined to provide support to local communities without encouraging over dependence on the State. We need further study of a more technical nature, but the Turner survey, this analysis and our recommendations hopefully provide a good starting point.

Graph #1
**Original Construction Dates of
 New Hampshire Schools**





Appendix C – New Hampshire State Board Of Education Response Respecting
Laws Of 1998, Chapter 267:3 – September 1, 2000 (Continued)



**PERFORMANCE AUDITS
ISSUED BY
OFFICE OF LEGISLATIVE BUDGET ASSISTANT**

<u>TITLE OF REPORT</u>	<u>DATE</u>
Department of Education – Bureau of Vocational Rehabilitation And Service Delivery	August 2001
Department of Transportation – Bureau of Turnpikes Performance-Based Budgeting	April 2001
Judicial Branch – Family Division Pilot Program	January 2000
Year 2000 Computing Crisis – Special Report – Update	July 1999
Special Education – Catastrophic Aid Program	July 1999
Year 2000 Computing Crisis – Special Report	March 1999
Juvenile Justice Organization	November 1998
Marine Patrol Bureau Staffing	March 1998
Health Services Planning and Review Board	January 1998
Economic Development Programs	October 1997
Job Opportunities and Basic Skills Training Program	May 1997
Child Support Services	December 1995
Multiple DWI Offender Program	December 1995
Managed Care Programs for Workers’ Compensation	November 1995
State Liquor Commission	July 1994
Property and Casualty Loss Control Program	November 1993
Child Settlement Program	March 1993
Workers’ Compensation Program for State Employees	January 1993
Prison Expansion	April 1992

**PERFORMANCE AUDITS
ISSUED BY
OFFICE OF LEGISLATIVE BUDGET ASSISTANT (Continued)**

<u>TITLE OF REPORT</u>	<u>DATE</u>
Developmental Services System	April 1991
Department of Administrative Services, Division of Plant and Property Management State Procurement and Property Management Services	June 1990
Mental Health Services System	January 1990
Hazardous Waste Management Program	June 1989
Review of the Indigent Defense Program	January 1989
Review of the Allocation of Highway Fund Resources To Support Agencies and Programs	March 1988
Review of the Public Employees Deferred Compensation Plan	December 1987
Management Review of the Policies and Procedures Of the Division of Plant and Property Management	June 1984
Review of the Management and Use of State Owned Passenger Vehicles and Privately Owned Vehicles Used at State Expense	August 1984

Copies of the above reports may be received by request from:

State of New Hampshire
Office of Legislative Budget Assistant
107 North Main Street, Room 102
Concord, New Hampshire 03301-4906
(603) 271-2785

For summaries of audit reports, visit our web
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