

D25
Interagency Commission on School Construction

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2024 Approp.	2025 Request	2026	2027	2028	2029
Built to Learn	\$407.270	\$452.410	\$150.834	\$57.191	\$27.000	\$27.000
Public School Construction	484.999	313.891	256.500	280.000	280.000	280.000
Healthy School Facility Fund	90.000	90.000	90.000	0.000	0.000	0.000
Kopp Priority Fund	0.000	0.000	0.000	90.000	90.000	90.000
Supplemental Capital Grant	40.000	40.000	40.000	80.000	80.000	80.000
Revolving Loan Fund	20.000	0.000	10.000	10.000	0.000	0.000
Aging Schools	6.109	6.109	6.109	0.000	0.000	0.000
Nonpublic Aging Schools	3.500	3.500	3.500	3.500	3.500	3.500
Total	\$1,051.878	\$905.910	\$556.943	\$520.691	\$480.500	\$480.500

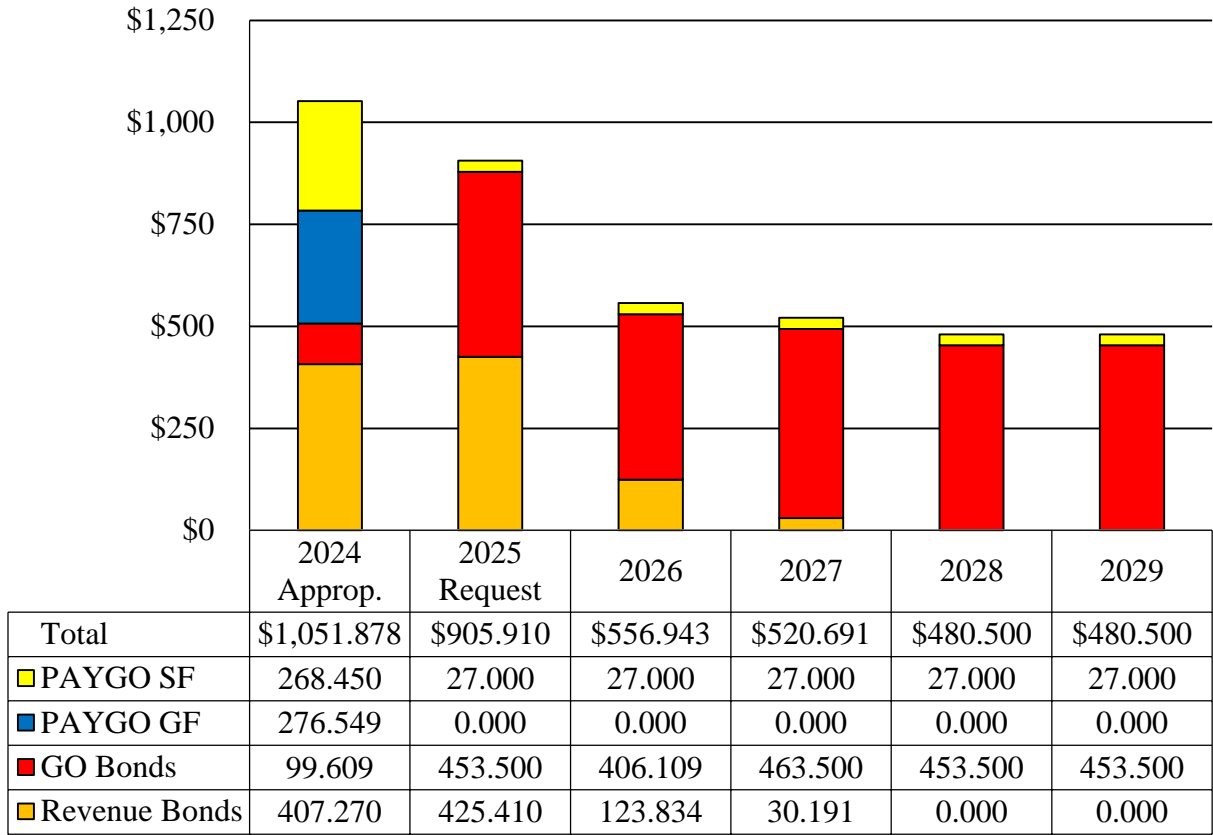
Note: The Built to Learn (BTL) program revenue bond estimates are based on a total of \$2.0 billion available for this purpose. The fiscal 2024 and 2025 revenue bond issuance is from the Governor’s proposed budget and is based on approximate bonds left in the remaining issuance; no bonds have been issued in fiscal 2024. In fiscal 2026 and 2027, BTL includes remaining projected bond issuances and pay-as-you-go special funds applied to the Prince George’s County public-private partnership (P3) as specified in Chapter 679 of 2023; in fiscal 2028 and 2029, BTL funds reflect funds for Prince George’s County P3 only. As in fiscal 2024, the Public School Safety Grant Program remains in the operating budget and uses general funds for that purpose, and therefore is no longer part of the capital budget; the program is budgeted in the Interagency Commission on School Construction budget, D25E03.03, but is administered by R00A06 – Maryland Center for School Safety. For information on school safety programs in fiscal 2025, see the operating budget analysis for R00A01 –MSDE Headquarters. Per Chapter 679 of 2023, as fiscal 2026 and 2027, the Public School Safety Grant Program and the Aging Schools Program are phased out, as funds are assumed to be supplanted by the Kopp Priority Fund.

Source: Governor’s Fiscal 2025 *Capital Improvement Program*

For further information contact: Laura H. Hyde

Laura.Hyde@mlis.state.md.us

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GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Source: Governor’s Fiscal 2025 *Capital Improvement Program*

Key Observations

- The fiscal 2025 budget provides \$905.9 million for school construction including the revenue bonds and special funds budgeted for the Built to Learn (BTL) program. With the end of federal stimulus funding, which supplanted \$80 million of State funds over fiscal 2022 and 2023; the elimination of \$268.5 million of one-time fiscal 2024 special funds from the Fiscal Responsibility Fund, which reduced the reliance on general obligation (GO) bond and general funds; and the elimination of the planned use of \$226.3 million of general funds programmed for fiscal 2025 in the 2023 *Capital Improvement Program* (CIP), the fiscal 2025 budget returns to a more traditional approach of funding school construction with GO bonds.
- The 21st Century Schools Facilities Program (Chapter 14 of 2018) included a provision expressing the intent of the General Assembly that public school construction funding, excluding the BTL program, meet or exceed \$400 million annually. Between fiscal 2019 and 2024, new school construction funding exceeded the legislative intent in all but fiscal 2020. Chapter 32 of 2022 further increased the legislature’s intended annual funding level to \$450 million. The amount budgeted for fiscal 2025 meets the \$450 million funding level, but the amounts programmed in the 2024 CIP for fiscal 2026 through 2029 fall short of the legislature’s intent.
- Chapter 679 of 2023 established the Interagency Commission on School Construction (IAC) as an independent unit of State government. The legislation also moved the School Safety Grant program to IAC’s operating budget and, beginning in fiscal 2027, repealed the Aging Schools Program (ASP) and mandated funding for the Nancy K. Kopp Public School Facilities Priority Fund. The legislation also increases payment from the Education Trust Fund (ETF) from \$25.0 million to \$27.0 million for the Prince George’s County public-private partnership (P3) for school construction in that county beginning in fiscal 2025.
- A provision in the Budget Reconciliation and Financing Act (BRFA) of 2024 (SB 362), repeals the requirement that the Governor provide \$10.0 million to the School Construction Revolving Loan Fund in fiscal 2025 and 2026. The provision gives the Governor the option to fund the program at \$10 million in both fiscal 2026 and 2027. The fiscal 2025 budget includes a \$10.0 million general fund reduction, contingent on legislation repealing the mandate.

PAYGO Recommended Actions

1. Add the following language to the general fund appropriation:

INTERAGENCY COMMISSION ON SCHOOL CONSTRUCTION
FY 2024 Deficiency Appropriation
D25E03.02 Capital Appropriation

General Fund Appropriation...-\$20,000,000.

To become available immediately upon passage of this budget to reduce the appropriation for fiscal 2024 for the implementation of the School Construction Revolving Loan Fund.

Explanation: This language is a technical correction to implement the fiscal 2024 reduction for the implementation of the School Construction Revolving Loan Fund.

	<u>Amount Reduction</u>	
2. Delete general funds for the School Construction Revolving Loan Fund that are contingently reduced by the Budget and Reconciliation and Financing Act of 2024.	\$10,000,000	GF
3. Reduce funding in fiscal 2024 for the School Construction Revolving Loan Fund.	20,000,000	GF
Total General Fund Reductions	\$30,000,000	

GO Bond Recommended Actions

1. Approve all general obligation bond and revenue bond authorizations.

Budget Overview of Grant and Loan Programs

IAC is an independent commission of State government that is currently responsible for the management and administration of seven school construction programs for local education agencies (LEA) and, in some cases, nonpublic schools. In fiscal 2025, six of seven programs are funded in the Governor’s CIP:

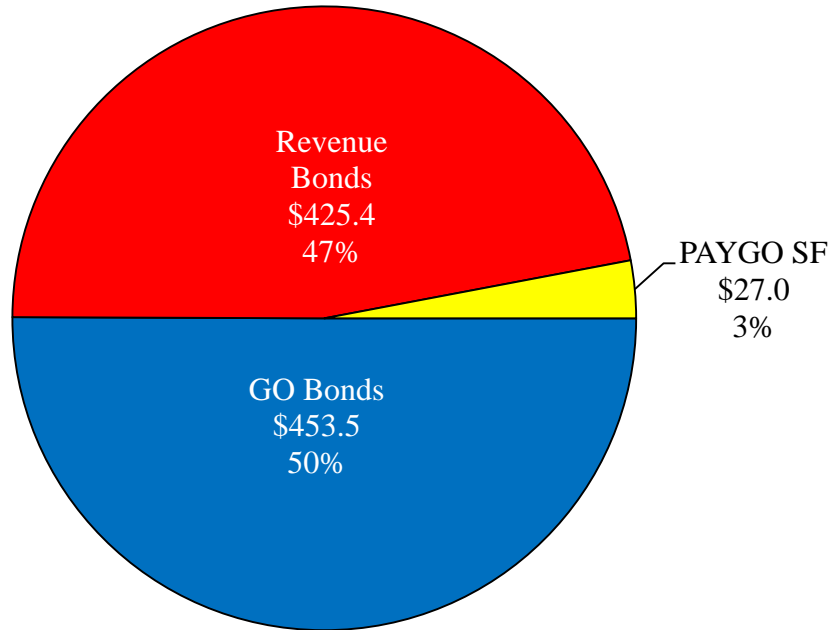
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- the Public School Construction Program (PSCP), which is the primary school construction program in the State, receives \$313.9 million in GO bonds;
- the Enrollment Growth and Relocatable Classroom (EGRC) Supplemental Capital Grant program, which provides funds for LEAs with enrollment growth that exceeds school building capacity, receives \$40.0 million in GO bonds to meet the mandated funding level;
- the Healthy School Facility Fund (HSFF), which provides funds for urgent needs related to the health and safety of school buildings, receives \$90.0 million in GO bonds to meet the mandated funding level;
- BTL, which was established in Chapter 20 of 2020 as amended and authorizes up to \$2.2 billion in State funding school construction projects, is funded at \$452.4 million, which includes \$425.4 million in revenue bonds and \$27.0 million in special fund pay-as-you-go (PAYGO) for the Prince George’s County P3;
- ASP, which provides funds for repairs and maintenance for aging schools, is funded with \$6.1 million in GO bonds as mandated; and
- the Senator James E. “Ed” DeGrange Nonpublic Aging Schools (DeGrange) Program, which funds repairs and maintenance for nonpublic schools, is funded with \$3.5 million of GO bonds.

The Revolving Loan Fund, which assists LEAs in funding the local share of school construction projects, is not funded in fiscal 2025 because the program is still under development. A proposed action to extend program funding through fiscal 2027 is included in the BRFA of 2024.

As shown in **Exhibit 1**, the proposed fiscal 2025 capital program provides \$905.9 billion for public school construction. Of this amount, \$453.5 million, or 50%, is GO bonds; \$425.4 million, or 47%, is from revenue bonds to be issued by the Maryland Stadium Authority (MSA) for BTL; and \$27.0 million, or 3%, is special fund PAYGO for the Prince George’s County P3.

Exhibit 1
Fiscal 2025 Request by Fund Source
(\$ in Millions)

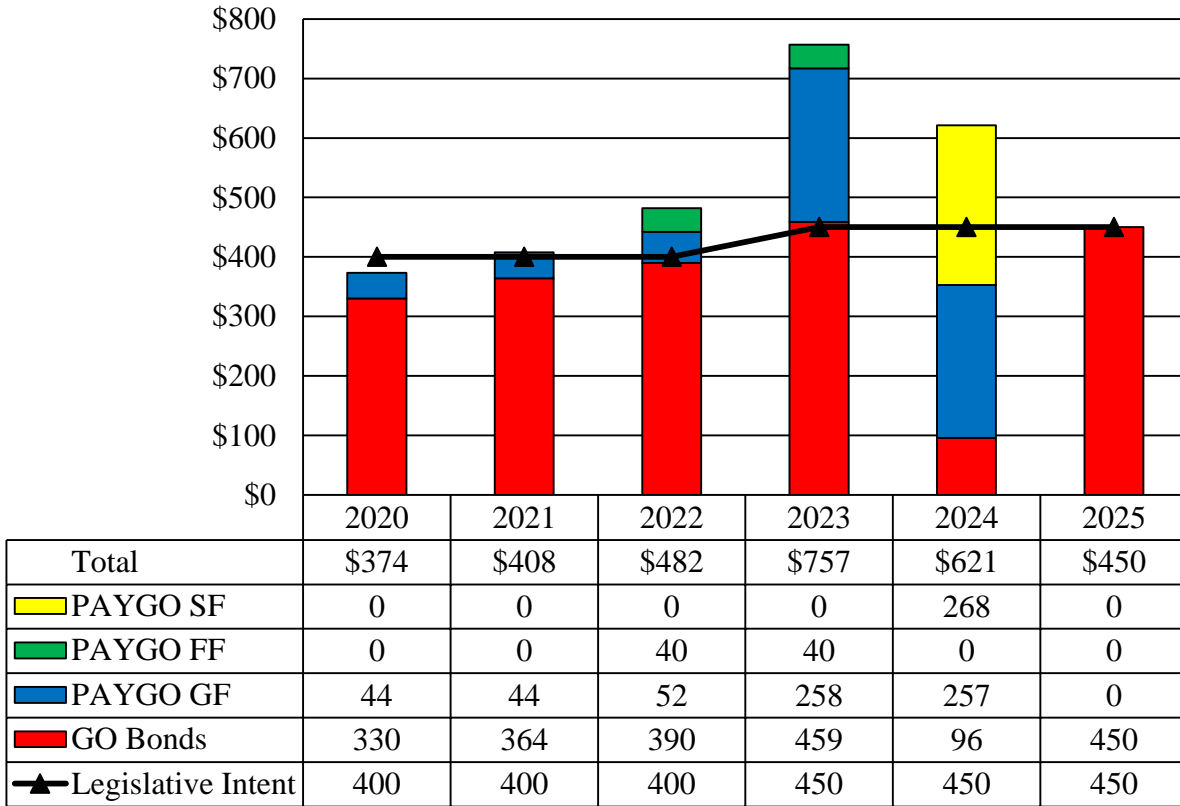


GO: general obligation
PAYGO: pay-as-you-go
SF: special funds

Source: Governor’s Fiscal 2025 *Capital Improvement Program*

Chapter 14 included a provision expressing the intent of the General Assembly that new (not recycled) public school construction funding meet or exceed \$400 million annually. Chapter 32 further increased the legislature’s intended annual funding level to \$450 million. Programs considered part of new public school construction funding include the PSCP, EGRC Supplemental Grant, the HSFF, and ASP. **Exhibit 2** shows that between fiscal 2020 and 2025, new public school construction funding exceeded the legislative intent in every year except for fiscal 2020. In fiscal 2025, funding totals \$450 million, which meets the legislative intent.

Exhibit 2
New School Construction Funding by Source
Fiscal 2020-2025
(\$ in Millions)



FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Note: Does not include funding for Built to Learn, 21st Century Schools Program, Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program, or recycled or nonbudgeted funds.

Source: Governor’s Fiscal 2025 *Capital Improvement Program*

Total school construction funding as programmed in the 2024 CIP from fiscal 2025 through fiscal 2029 shows that the Governor’s fiscal 2025 CIP meets the legislative intended amount of \$450 million in all years except fiscal 2026, in which the programmed levels of funding in the CIP total \$392.6 million.

Public School Construction Program

The PSCP is the primary statewide funding source for all LEAs for school construction and for the Maryland School for the Blind (MSB). IAC manages State review and approval of local school construction projects. Each year, LEAs develop and submit their facilities master plan to IAC, which includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each LEA submits a county CIP to IAC, which may include projects that an LEA has forward funded. For fiscal 2025, requests from 24 LEAs and MSB for 106 projects total \$351.6 million.

In December 2023, IAC made fiscal 2025 75% funding allocations totaling \$210.0 million, including design fees and statewide contingency reserve funds, based on the Governor’s preliminary allocation for the PSCP as provided in the Governor’s Preliminary Capital Budget allocation letter required by statute to be submitted in November each year. In February 2024, IAC revised the 90% and the 100% projected allocations for the \$313.9 million budgeted for fiscal 2025. Allocations total \$304.9 million, which is 30% of requested funds for school construction. To the extent that the enacted capital budget provides more (or less) funding for public school construction than the Governor’s proposed budget, the 100% allocations would change accordingly. An additional \$9.0 million is reserved for other costs, including \$8.5 million for the Statewide Contingency Reserve and \$500,000 for design review fees. With these additional amounts in reserve, PSCP funding in fiscal 2025 totals \$313.9 million. **Exhibit 3** shows the requested amounts by each LEA, the number of projects, and IAC’s 75% and 100% funding recommendations.

Exhibit 3
Public School Construction Program 100% Recommendations
Fiscal 2025
(\$ in Millions)

<u>LEA</u>	<u>Fiscal 2025 CIP Requests Planning/Funding</u>	<u>Requests Approved</u>	<u>75% Funding Allocation</u>	<u>100% Recommendation (Projected)</u>	<u>% of Total Request</u>
Allegany	\$9.1	2	\$3.3	\$5.1	56%
Anne Arundel	78.6	3	24.4	27.1	34%
Baltimore City	179.6	4	24.3	25.8	14%
Baltimore	133.5	9	27.5	32.6	24%
Calvert	8.9	1	2.9	8.0	90%
Caroline	2.3	1	2.0	2.3	100%
Carroll	22.5	5	5.0	8.4	37%
Cecil	29.7	1	4.1	4.7	16%
Charles	34.5	3	6.9	9.2	27%
Dorchester	20.7	7	2.9	3.5	17%
Frederick	80.7	3	13.0	15.1	19%

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<u>LEA</u>	<u>Fiscal 2025 CIP Requests Planning/Funding</u>	<u>Requests Approved</u>	<u>75% Funding Allocation</u>	<u>100% Recommendation (Projected)</u>	<u>% of Total Request</u>
Garrett	\$24.0	\$2	1.0	\$23.6	98%
Harford	23.9	2	10.5	11.4	48%
Howard	15.6	29	8.7	15.5	99%
Kent	0.2	1	0.2	0.2	100%
Montgomery	186.6	19	30.3	41.3	22%
Prince George’s	76.7	2	16.7	34.1	44%
Queen Anne’s	0.5	2	0.5	0.5	100%
Somerset	10.7	1	3.7	5.3	50%
St. Mary’s	4.5	3	1.9	4.2	93%
Talbot	6.2	1	1.0	6.2	100%
Washington	15.2	1	5.6	7.1	47%
Wicomico	60.2	1	7.2	7.6	13%
Worcester	2.5	2	1.9	2.0	80%
Maryland School for the Blind	4.4	1	4.4	4.4	100%
Subtotal for LEAs	\$1,031.8	106	\$210.0	\$304.9	30%
Statewide Contingency Reserve	\$0.0	-	\$0.0	\$8.5	-
DGS Design Review Fees	0.0	-	0.0	0.5	-
Subtotal – Other	\$0.0	-	\$0.0	\$9.0	3%
Total	\$1,031.8	106	\$210.0	\$313.9	-

CIP: *Capital Improvement Program*
DGS: Department of General Services
LEA: local education agency

Note: Numbers may not sum due to rounding.

Source: Governor's Fiscal 2025 CIP; Interagency Commission on School Construction

In addition to these amounts for PCSP, some LEAs receive additional funding reserved from prior year allocations and recycled EGRC Supplemental Grant funds. In fiscal 2025, these allocations total \$46.7 million and include \$900,000 in prior year funds reserved for three LEAs; \$9.2 million in recycled funds for nine LEAs; and \$36.6 million in EGRC Supplemental Grants for 8 LEAs. With this funding in addition to the \$313.9 million, the 100% recommendation for PSCP funding totals \$364.9 million. IAC advises that the agency may allocate additional LEA reserved

funds in March 2024 prior to finalizing the 100% recommendations in June 2024. **Appendix 1** shows the fiscal 2020 to 2024 allocations and total allocations from fiscal 1973 to 2024.

Enrollment Growth and Relocatable Classroom Supplemental Grant Program

The EGRC Supplemental Grant Program was established in Chapter 355 of 2015 and amended in Chapter 20. The purpose of the program is to provide annual supplemental grants to LEAs experiencing significant enrollment growth or that have a high number of relocatable classrooms. Grant awards are subject to the State and the local cost-share formula for each LEA. From fiscal 2016 to 2023, 12 LEAs have been eligible for funding: Anne Arundel; Baltimore County; Caroline; Carroll; Charles; Dorchester; Frederick; Harford; Howard; Montgomery; Prince George’s, and Worcester (Dorchester County qualified for funding only in fiscal 2016 and 2017). Per Chapter 20, the current mandated allocation in fiscal 2025 is \$40.0 million; beginning in fiscal 2027, the mandate increases to \$80.0 million. Chapter 20 also changed the definition of “significant number of relocatable classrooms” to an average of more than 250 (instead of 300) relocatable classrooms over the past five years beginning in fiscal 2021. Fiscal 2023 allocations were based on the revised formula in Chapter 32, which includes an enrollment growth adjustment for any allowance over \$40 million.

The fiscal 2025 budget provides \$40.0 million in GO bonds, as mandated for nine LEAs plus unallocated funds. Three LEAs that received funding in past years – Caroline, Howard, and Worcester – do not receive funding in this year’s budget, because they do not qualify for this program in fiscal 2025. In fiscal 2025, a portion of funding is reserved as “regionally unallocated.” **Exhibit 4** shows these allowances.

Exhibit 4
EGRC Classroom Supplemental Grant Program
Fiscal 2021-2025
(\$ in Millions)

<u>Local Education Agency</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Anne Arundel	\$9.2	\$7.3	\$14.6	\$4.9	\$5.0
Baltimore County	9.5	9.4	7.9	6.5	6.5
Caroline	1.7	0.0	0.0	0.0	0.0
Carroll	0.0	0.0	0.0	1.5	1.5
Charles	0.0	0.0	4.4	1.6	1.6
Frederick	4.8	5.8	15.3	2.6	2.7
Harford	0.0	0.0	0.0	2.2	2.2
Howard	14.1	9.4	16.8	3.4	3.4
Montgomery	22.3	15.2	18.6	9.4	9.4
Prince George’s	13.4	12.9	17.8	7.5	7.5
Worcester	0.0	0.0	0.0	0.4	0.0
Total	\$75.0	\$60.0	\$95.4	\$40.0	\$40.0

EGRC: Enrollment Growth and Relocatable Classroom

Note: Numbers may not sum due to rounding. Fiscal 2025 allocations will be adjusted in May 2024 after the budgeted amount is finalized.

Source: Governor's Fiscal 2025 *Capital Improvement Program*; Interagency Commission on School Construction

The Department of Legislative Services (DLS) notes the fiscal 2025 CIP reports a significant amount of funds to be expended on this program dating back to its inception. Not including the fiscal 2023 allocation of \$40.0 million, funds remaining to be expended total \$138.7 million between fiscal 2016 and 2023. **IAC should comment on why the program unexpended balance is over \$100 million and the intended distribution of fiscal 2025 regionally unallocated funds.**

Healthy School Facility Fund

The HSFF was established in Chapter 561 of 2018, with funding extended and revised in Chapter 20 and Chapter 32. The purpose of the fund is to provide grants to public primary and secondary schools in the State to improve the health of school facilities. In awarding grants from the fund, IAC must give priority based on the severity of issues in a school building, including air conditioning, heating, indoor air quality, mold remediation, temperature regulation, plumbing, windows, roofs, and any other severe issue in the school. Current statute mandates specified

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funding levels for the HSFF through fiscal 2026 of at least \$40 million in fiscal 2023 and \$90 million for each of fiscal 2024 through 2026. At least 50% of funds must be provided to projects in Baltimore City.

Since fiscal 2021, the has appropriated more than \$280 million of GO bonds and general and federal fund PAYGO for the HSFF. This allowance has been distributed as follows:

- in fiscal 2021, although the Governor targeted the HSFF for a reduction as part of proposed cost containment due to COVID-19, the program retained its allowance of \$30 million in general fund PAYGO. However, due to this uncertainty, IAC did not provide grants to LEAs until after the fiscal year ended in July 2021. Of this amount, IAC reports allocating \$35.2 million, which includes \$5.2 million in reserved funds from fiscal 2020;
- in fiscal 2022, the HSFF received an allowance of \$70 million, \$30 million in GO bonds and \$40 million in American Rescue Plan Act (ARPA) federal funds. Of this amount, IAC allocated \$40 million in federal funds and \$27.1 million in GO Bonds, with \$2.9 million remaining to be allocated. Federal stimulus funds issued in March 2021 must be expended by January 31, 2025, unless IAC applies for a 14-month extension until March 31, 2026;
- in fiscal 2023, the HSFF received \$40 million in federal ARPA funding and an additional \$50 million in GO bonds. Of this amount, IAC has allocated \$89.5 million, with \$500,000 remaining;
- in fiscal 2024, the HSFF received the mandated amount of \$90 million in general fund PAYGO. Of this amount, all funds have been allocated; and
- in fiscal 2025, the HSFF receives \$90 million in GO bonds to meet the mandate.

Exhibit 5 provides allocations by jurisdiction. It is noteworthy that while IAC has managed to efficiently allocate virtually all of the \$310 million of State and federal appropriations made to the program from fiscal 2020 through 2024, as much as 85% or \$262 million remains unexpended as of December 2024.

Exhibit 5
Healthy Schools Facility Fund
Fiscal 2021-2024
(\$ in Millions)

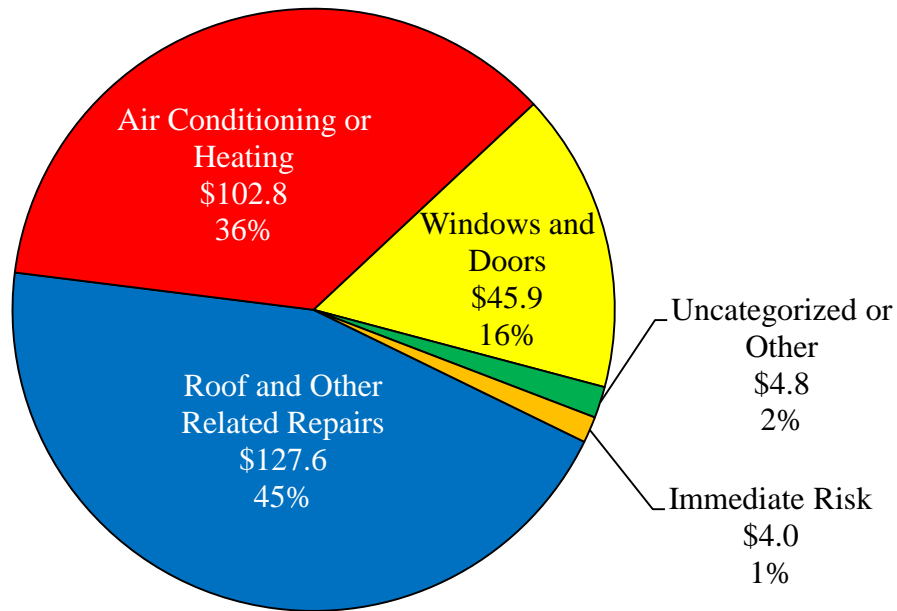
<u>Local Education Agency</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
Allegany	\$0.7	\$0.0	\$0.0	\$0.0	\$0.7
Anne Arundel	0.0	0.3	1.2	2.5	4.0
Baltimore City	15.0	32.6	44.6	44.9	137.1
Baltimore	11.8	10.8	4.2	2.3	29.1
Calvert	0.1	1.0	0.9	1.0	3.0
Caroline	0.0	0.0	0.0	1.4	1.4
Carroll	0.6	3.2	7.4	2.2	13.4
Cecil	0.0	0.0	1.1	2.6	3.7
Charles	2.5	0.3	4.7	0.0	7.5
Dorchester	1.8	3.5	0.0	0.0	5.3
Frederick	0.3	0.0	0.0	0.9	1.2
Garrett	0.3	7.9	8.4	7.8	24.4
Harford	0.2	2.7	0.6	0.0	3.5
Howard	0.2	1.7	0.0	2.2	4.1
Kent	0.0	0.0	0.0	0.0	0.0
Montgomery	0.1	0.0	0.0	0.3	0.4
Prince George's	0.0	1.6	9.3	12.7	23.6
Queen Anne's	0.0	0.0	0.0	0.0	0.0
Somerset	0.0	0.0	0.0	0.0	0.0
St. Mary's	0.0	0.0	0.0	9.2	9.2
Talbot	0.0	0.0	0.0	0.0	0.0
Washington	0.6	0.0	0.0	0.0	0.6
Wicomico	1.0	1.2	7.1	0.0	9.3
Worcester	0.0	0.0	0.0	0.0	0.0
Maryland School for the Blind	0.0	0.3	0.0	0.0	0.3
Subtotal	\$35.2	\$67.1	\$89.5	\$90.0	\$281.8
Unallocated	\$0.0	\$2.9	\$0.5	\$0.0	\$3.4
Total	\$35.2	\$70.0	\$90.0	\$90.0	\$285.2

Note: Numbers may not sum due to rounding.

Source: Governor's Fiscal 2025 *Capital Improvement Program*; Interagency Commission on School Construction

Exhibit 6 shows that out of \$285.2 million allocated to the HSFF since fiscal 2021, IAC has allocated \$127.6 million, or 45%, on roofs and related repairs; \$102.8 million, or 36%, for air conditioning and heating; \$45.9 million, or 16% is on windows and doors; \$4.8 million, or 2%, on other categories or uncategorized items; and \$4.0 million, or 1% on repairs that have an immediate risk, such as mold or lead paint.

Exhibit 6
Healthy School Facility Fund Encumbrances
Fiscal 2021-2024
(\$ in Millions)



Note: Numbers may not sum due to rounding.

Source: Interagency Commission on School Construction

IAC should brief the committees on the processes that it has in place to ensure that all allocations are efficiently expended, including federal allocations which could expire if unspent by January 2025.

Aging Schools Program

The fiscal 2025 capital budget funds ASP at the statutory mandated amount of \$6.1 million in GO bond funds. The allocations to each LEA are established in statute and do not vary from year to year unless additional funds above the statutory amount are appropriated. As part of

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Chapter 639, ASP allocations are funded through fiscal 2026, after which the purposes of the program will be funded through the Kopp Priority Fund. **Exhibit 7** shows the fiscal 2020 through 2024 average allocations, which includes prior year contingent funds and fiscal 2025 allocations.

Exhibit 7
Aging Schools Program
Fiscal 2020-2025
(\$ in Thousands)

<u>Local Education Agency</u>	<u>Average Expenditure</u> <u>2020-2024</u>	<u>Projected 2025</u>
Allegany	\$97.8	\$97.8
Anne Arundel	506.0	506.0
Baltimore City	1,387.9	1387.9
Baltimore	1,016.0	874.2
Calvert	38.4	38.3
Caroline	50.1	50.1
Carroll	138.1	137.3
Cecil	100.5	96.0
Charles	61.4	50.1
Dorchester	38.3	38.3
Frederick	184.0	182.6
Garrett	38.3	38.3
Harford	222.5	217.4
Howard	87.8	87.8
Kent	50.3	38.3
Montgomery	602.7	602.7
Prince George's	1,260.5	1209.4
Queen Anne's	50.9	50.1
St. Mary's	50.1	50.1
Somerset	38.3	38.3
Talbot	47.7	38.3
Washington	134.9	134.9
Wicomico	108.8	106.6
Worcester	38.3	38.3
Total	\$6,349	\$6,109

Note: Allocation amounts include unspent, recycled funds from previous years. The Baltimore City allocation includes \$1.5 million to be distributed to the Knowledge is Power Program Public Charter School during the fiscal 2021 through 2023 period.

Source: Governor's Fiscal 2025 *Capital Improvement Program*; Interagency Commission on School Construction

James E. “Ed” DeGrange Nonpublic Aging Schools Program

The DeGrange Program is a nonstatutory program that was first funded in fiscal 2014. This grant program provides funding to nonpublic schools for minor renovations and infrastructure repairs. Grants are limited to nonpublic schools, excluding preschools, which meet the eligibility requirements for funding through the Aid to Non-Public Schools Program. The fiscal 2025 budget provides \$3.5 million in GO bonds, which is the customary annual funding level.

Language in the fiscal 2025 capital budget bill stipulates the criteria for program participation. The program limits an individual school’s grant to no more than \$100,000 and no less than \$5,000; IAC must prorate the grants if additional funding is available. Three criteria are used to determine maximum funding per school: (1) at least 20% of the school’s students being eligible for free and reduced-price meals; (2) tuition charged to students being less than the statewide average per pupil expenditure; and (3) the school having a facility with an average age of 50 years or older. Schools may receive up to a maximum allocation based on how many criteria it meets:

- up to \$25,000 for schools meeting one criterion;
- up to \$75,000 for schools meeting two criteria; and
- up to \$100,000 for schools meeting three criteria.

IAC has not yet awarded fiscal 2024 grants; fiscal 2022 and 2023 grants have been awarded for the total amount. **Exhibit 8** shows these awards by LEA for fiscal 2021 to 2023.

Exhibit 8
DeGrange Nonpublic Aging Schools Program
Fiscal 2021-2023
(\$ in Thousands)

<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>	<u>% of Total</u>
Allegany	\$22.9	\$26.7	\$31.0	\$80.6	0.8%
Anne Arundel	183.4	133.6	157.0	474.0	4.5%
Baltimore City	588.4	614.6	824.0	2,026.9	19.3%
Baltimore	832.9	768.2	596.0	2,197.1	20.9%
Calvert	38.2	40.1	39.0	117.3	1.1%
Caroline	0.0	0.0	0.0	0.0	0.0%
Carroll	30.6	33.4	31.0	95.0	0.9%
Cecil	45.8	46.8	31.0	123.6	1.2%
Charles	61.1	59.6	55.0	175.7	1.7%
Dorchester	22.9	0.0	0.0	22.9	0.2%
Frederick	22.9	66.8	86.0	175.7	1.7%
Garrett	0.0	26.7	0.0	26.7	0.3%
Harford	68.8	73.5	71.0	213.2	2.0%
Howard	91.7	147.0	94.0	332.7	3.2%
Kent	0.0	0.0	0.0	0.0	0.0%
Montgomery	618.9	601.2	636.0	1,856.1	17.7%
Prince George’s	473.7	487.4	463.0	1,424.1	13.6%
Queen Anne’s	30.6	0.0	0.0	30.6	0.3%
Somerset	0.0	0.0	102.0	102.0	1.0%
St. Mary’s	122.3	100.2	0.0	222.5	2.1%
Talbot	76.4	60.1	71.0	207.5	2.0%
Washington	76.4	153.6	141.0	371.1	3.5%
Wicomico	61.1	53.4	63.0	177.6	1.7%
Worcester	0.0	6.7	8.0	14.7	0.1%
Unallocated	31.0	0.5	0.0	31.5	0.3%
Total	\$3,500	\$3,500	\$3,500	\$10,499	100.0%

Source: Interagency Commission on School Construction

Budget bill language stipulates that after three years, unexpended funds are transferred to the Unreserved Statewide Contingency Account for public school construction, which for fiscal 2025 would be funds remaining from fiscal 2020 and prior years. The Governor’s current CIP states that balance as \$8.3 million. IAC reports that the \$8.3 million in unexpended funds for this program will be utilized as recycled funds for fiscal 2025 awards.

Built to Learn

Following the success of the Baltimore City 21st Century Schools Program, Chapter 20 established the BTL program, which uses a similar financing model to construct or renovate schools statewide. BTL is fully financed by the State, and BTL projects are subject to the State and local cost-share formula. BTL funding supplements State funding for school construction from other sources; LEAs can commingle funding from PSCP and BTL to finance school construction projects.

Debt Service

Chapter 20 authorizes MSA to issue up to \$2.2 billion in revenue bonds to support public school facilities. The bonds are backed by mandated State appropriations from the ETF. Prior to the issuance of any BTL bonds, MSA and IAC must enter into a program memorandum of understanding (MOU) that sets forth, among other things, the selection criteria under which schools will receive priority in funding under this program. This program MOU was approved in July 2021. Additionally, Chapter 20 requires an MOU between MSA, local boards of education, and local governments for proposed projects before any BTL funds may be allocated to a project. Any allocation for an approved project must be used within 10 years or be subject to reallocation.

The Supplemental Public School Construction Financing Fund is used to pay debt service on bonds issued by MSA for State school construction projects and all reasonable charges and expenses related to the issuance of bonds. The revenue source for this fund is transfers from the ETF, which collects proceeds from video lottery terminals and table games at licensed gaming facilities. Annual debt service funded with the ETF deposits is as follows:

- \$60,000,000 in fiscal 2023; and
- \$125,000,000 in fiscal 2024 and subsequent years; or
- \$100,000,000 beginning in fiscal 2026 if Prince George’s County enters a P3 agreement.

To support BTL, MSA is issuing 30-year bonds. Bonds were issued in calendar 2021 and 2022. To date, these issuances provide \$699 million. Interest rates have increased since the initial estimate of what could be generated from the bond issuance when the program was established. The higher interest rates have reduced the bonds that can be supported by the available debt service funds to \$1.7 billion. MSA advises that the next bond sale could be as much as \$376 million in April 2024. **Exhibit 9** shows that the average debt service costs for the first two sales is \$37 million, leaving another \$63 million in debt service capacity. Proceeds provided \$699 million for the project fund.

Exhibit 9
Built to Learn Bond Issuances
Fiscal 2021-2052
(\$ in Millions)

	<u>Series</u> <u>2021</u>	<u>Series</u> <u>2022</u>	<u>Total</u>
Fiscal Year That Issuance Matures	2051	2052	
Par Value	\$257.00	\$373.10	\$630.00
Premium Net of Issuance and Capitalized Interest Costs	28.90	40.40	69.30
Total Available for Project Fund	\$285.90	\$413.50	\$699.30
Average Annual Debt Service Year 3 to 29 ¹	\$14.80	\$21.70	\$36.40
Final Annual Debt Service Payment ²	14.80	36.50	
True Interest Cost	2.83%	3.21%	
Bond Buyer 20-Bond Index in Week of Sale	2.28%	3.19%	

¹ Since the fund earns interest, actual debt service could exceed the \$100 million appropriation in some fiscal years.
² Bonds mature in 30 years. When an issuance matures and no longer pays debt service, the subsequent issuance has a balloon payment in its final year.

Note: Numbers may not sum to total due to rounding.

Source: BofA Securities

Although BTL funds are intended to fund new school construction projects, eligible projects can also include systemic renovations or projects at multiple schools that exceed \$4 million. LEAs can also apply for planning funds, and projects that were not already funded and under construction by June 2021 are eligible for reimbursement. Local governments must provide their local match for all BTL projects, and cost-share percentages will apply to the whole project, including planning; design and development; and furniture, fixtures, and equipment. IAC must approve all projects. LEAs with approved allocations over their projected allowance will be reconciled at a later date or covered with local funds. **Exhibit 10** shows BTL projects approved and the remaining allocation compared to the allowances and allocations as of December 2023, with \$1.7 billion in projected funding allocated per the statutory percentage.

Exhibit 10
Built to Learn Allowances and Allocations
Fiscal 2022-2024
(\$ in Millions)

<u>Local Education Agency</u>	<u>Statutory Percentage</u>	<u>Projected Allowance</u>	<u>Approved Allocation</u>	<u>Remaining Allocation</u>
Allegany	0.4%	\$6.5	\$0.0	\$6.5
Anne Arundel	12.5%	212.5	162.6	49.9
Baltimore City	21.0%	357.0	144.6	212.4
Baltimore County	21.0%	357.0	199.0	158.0
Calvert	0.7%	12.7	0.0	12.7
Caroline	0.3%	4.5	4.8	-0.3
Carroll	1.2%	20.2	23.8	-3.6
Cecil	0.7%	11.8	12.7	-0.9
Charles	1.3%	21.6	16.9	4.7
Dorchester	0.2%	3.7	0.0	3.7
Frederick	5.1%	86.7	87.2	-0.5
Garrett	0.2%	3.0	0.0	3.0
Harford	1.8%	30.3	31.5	-1.2
Howard	6.6%	112.2	35.0	77.2
Kent	0.1%	1.4	0.0	1.4
Montgomery	21.0%	357.0	269.3	87.7
Queen Anne’s	0.4%	6.1	0.0	6.1
St. Mary’s	0.8%	13.9	0.0	13.9
Somerset	0.1%	2.2	0.0	2.2
Talbot	0.2%	3.6	0.0	3.6
Washington	1.0%	17.7	0.0	17.7
Wicomico	0.7%	11.7	13.8	-2.1
Worcester	0.3%	5.2	0.0	5.2
Unallocated	2.4%	41.5	0.0	41.5
Total	100%	\$1,700.0	\$1,001.2	\$698.8

Note: Numbers may not sum to total due to rounding. Does not include Prince George’s County for startup costs for public-private partnership projects. Projected allowance is approximate based on \$1.7 billion in currently projected bond issuances and is subject to change.

Source: Interagency Commission on School Construction; Department of Legislative Services.

Prince George’s P3

Chapter 20, as amended in Chapters 32 and 679, authorized State funding for a P3 agreement for Prince George’s County. A P3 agreement is defined as one in which a county government and county board of education contract with a private entity for the acquisition, design, construction, improvement, renovation, expansion, equipping, or financing of a public school. It may include provisions for the operation and maintenance of a school, for cooperative use of a school or an adjacent property, and for the generation of revenue to offset the cost of construction or use of the school. This agreement must be reviewed by MSA and approved by IAC.

Per changes in Chapter 32, Prince George’s County may now enter into a specified P3 agreement by July 1, 2026. Per Chapter 679, MSA must deposit \$27.0 million annually, beginning in fiscal 2025 and not after fiscal 2054, into the Prince George’s County P3 Fund. In order for Prince George’s County to receive these annual payments, the P3 agreement must include a minimum of six schools that will be improved, constructed, renovated, operated, and maintained under the P3 agreement and a commitment by the Prince George’s County government and school board to provide the local share of the availability payment. Under Chapter 20, MSA must review the P3 agreement, and IAC must approve it before State funds may be used to support projects. In fiscal 2023 and 2024, the P3 fund received two payments of \$25 million combined.

The P3 agreement in Chapter 20 as amended, represents the second of two phases of private-public school construction in Prince George’s County. Prince George’s County calls these schools Blueprint Schools, after the recent education legislation Blueprint for Maryland’s Future Program (Chapters 36 and 55 of 2021). The first phase was not part of Chapter 20, with six schools completed in calendar 2023. The second phase which is part of legislation in Chapter 20 as amended, was approved by the Prince George’s County school board in September 2023. Phase 2 includes eight new schools, with the first scheduled to open in 2026.

Revolving Loan Fund

The School Construction Revolving Loan Fund was initially established in Chapter 14, and revised in Chapter 32, to provide low- or no-interest loans to local governments to forward fund the local or State share of school construction projects. Local projects must receive planning approval from IAC to be eligible for a loan. In awarding loans, the commission must give priority to counties that have not forward funded projects and that have limited debt capacity. Loans from the fund must be repaid within five years, subject to a waiver process. Local governments may use loan funds for projects funded by either the PSCP or BTL. Although the fund was established in 2018, funding was not required until fiscal 2024.

To date, the fund has received a total of \$60 million in general fund PAYGO: \$40 million in fiscal 2023; and \$20 million in fiscal 2024. In fiscal 2025, because the program is still in development and funding has not yet been awarded, the proposed budget does not include an allocation; instead as part of the BRFA of 2024, funding is delayed by one year, with the proposed budget programming \$10 million in GO bonds in fiscal 2026 and 2027, respectively.

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In calendar 2023, IAC commissioned a study through the University of Maryland, College Park Campus, to research how a revolving loan program might be implemented. IAC received this study at the end of calendar 2023 and is currently reviewing the recommendations. Upon review, IAC will begin the process of developing a framework and regulations for this program that meets federal and State requirements. Given the lengthy delay in establishing the parameters under which this program will be administered, it is unlikely the IAC will implement this program prior to fiscal 2026.

IAC should comment on the agency’s timeline for implementation of this program including regulations, guidance to applicants, loan applications, and disbursements.

Due to the delay in the implementation of the Revolving Loan Fund, DLS recommends two actions: (1) a reduction of \$10.0 million in fiscal 2025 in alignment with the Governor’s proposal to reduce the funds contingent on a provision in BRFA of 2024 (SB 362); and (2) a fiscal 2024 negative deficiency of \$20.0 million that would leave the fund with \$40 million appropriated in fiscal 2023 from which to make loans when the program regulations are finalized.

Update on Fiscal 2023 Pass-through Grants

The fiscal 2023 budget authorized a total of \$237.0 million in GO bonds for the fiscal 2023 Pass-through Grant for 22 of 24 counties, not including Anne Arundel and Montgomery counties (they did not qualify for the program based on the required increase in gross area baselines, which determine the eligible gross square footage per student). These funds are block grants that can be combined with other State school construction projects, if needed. Although local match does not apply to projects funded through the Pass-through Grant, if program funds are combined for a project, then the State share percentage applies to the project funded through another program. The Pass-through Grant funds may not be used to replace the local share of projects that receive funding through any other IAC program.

In order to receive funds, a county must determine project priority. Once IAC has received that priority either directly from the county or as concurrence with an LEA submission, then IAC will allocate funds to the LEA for the specified projects. Once the county receives IAC approval for the project, depending on the project either the LEA or the county is responsible for the work.

Exhibit 11 the allocations and expended funds for this program as of December 2023. As of that date, IAC had approved the total amount of the original allocation, \$237 million, in projects for all counties that requested funds.

Exhibit 11
Pass Through Grants
Fiscal 2023
(\$ in Thousands)

<u>County</u>	<u>Requested</u>	<u>Approved</u>
Allegany	\$82.9	\$82.9
Anne Arundel	0.0	0.0
Baltimore City	75,000.0	75,000.0
Baltimore	80,000.0	80,000.0
Calvert	161.7	161.7
Caroline	56.9	56.9
Carroll	266.2	266.2
Cecil	153.2	153.2
Charles	5,000.0	5,000.0
Dorchester	46.7	46.7
Frederick	10,000.0	10,000.0
Garrett	36.2	36.2
Harford	398.9	398.9
Howard	35,000.0	35,000.0
Kent	18.5	18.5
Montgomery	0.0	0.0
Prince George’s	30,000.0	30,000.0
Queen Anne’s	73.2	73.2
Somerset	180.8	180.8
St. Mary’s	27.7	27.7
Talbot	44.1	44.1
Washington	228.2	228.2
Wicomico	150.2	150.2
Worcester	69.2	69.2
Unallocated/Statewide	5.5	0.0
Total	\$237,000.0	\$236,994.5

Note: Numbers may not sum to total due to rounding. Unallocated amount is based on rounding may be subject to change.

Source: Interagency Commission on School Construction

Update on Unexpended Balances

The Governor’s CIP provides detail on unexpended balances by fiscal year and program. From the year of issuance, LEAs have seven years to expend funds. In the fiscal 2025 CIP, unexpended balances total \$746.6 million from five programs, with \$117.4 million prior to fiscal 2019. Funds allocated prior to fiscal 2016 would be eligible to be canceled or transferred to the Unreserved Statewide Contingency Account. **Exhibit 12** shows these fund balances by fiscal year and program.

Exhibit 12
Unexpended Balances
Prior to Fiscal 2019-2023
(\$ in Millions)

<u>Program</u>	<u>Prior to 2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
PSCP	\$101.9	\$8.7	\$20.8	\$88.8	\$180.9	\$401.1
HSFF	0.0	10.5	26.1	60.9	86.7	184.2
EGRC	11.5	3.7	9.0	21.3	93.1	138.6
ASP	3.2	0.9	1.2	3.3	5.8	14.4
DeGrange Program	0.8	0.5	1.3	2.3	3.4	8.3
Total	\$117.4	\$24.3	\$58.4	\$176.6	\$369.9	\$746.6

ASP: Aging Schools Program
 DeGrange Program: DeGrange Nonpublic Aging Schools Program
 EGRC: Enrollment Growth and Relocatable Classroom Supplemental Grant Program
 HSFF: Healthy School Facility Fund
 PSCP: Public School Construction Program

Source: Governor’s Fiscal 2025 *Capital Improvement Program*

IAC reports that the balance for the DeGrange Program is approximately \$1.0 million, not \$8.3 million as reported in the CIP. **Because the CIP does not breakout unexpended balances by fiscal year and program prior to fiscal 2019, IAC should report this information and comment on any discrepancies between the CIP and IAC’s recorded balances for these programs. IAC should also comment on how the agency plans to spend outstanding balances for each program and whether any funds prior to fiscal 2016 would be eligible to be canceled or transferred to the Unreserved Statewide Contingency Account.**

Update on Contingency Funds

Per requirements in § 5-303 of the Education Article, IAC is responsible for submitting a quarterly report on contingency balances. As of February 2024, contingency balances across 10 programs total \$58.2 million, with the majority of these funds, \$49.5 million, for the EGRC Supplemental Grant program and reserved for Statewide purposes. **Exhibit 13** shows fund balances.

Exhibit 13
Contingency Fund Balances
Fiscal 2024
(\$ in Millions)

<u>Program</u>	<u>Amount</u>
Enrollment Growth Relocatable Classroom Supplemental Grant	\$25.9
Reserved for Statewide Purposes	23.6
Reserved for Local Education Agencies	5.8
Healthy School Facility Fund	2.2
Baltimore City Healthy School Facility Fund	0.4
Fiscal 2012 Supplemental Appropriation	0.2
Fiscal 2014 Air Conditioning Initiative	0.1
Total	\$8.7

Note: Baltimore City HVAC Reserve and f2013 Energy Efficiency Initiative have balances of less than \$10,000, which are included in this total but not shown here.

Source: Interagency Commission on School Construction

IAC should comment on the following concerns regarding this report: (1) the balance for funds reserved for Statewide purposes and the intended use of those funds; (2) the reason that balances over seven years old have not been returned to the Unreserved Statewide Contingency Account; and (3) the reason that a balance for the Unreserved Statewide Contingency Account is not reported.

Performance Measures and Outputs

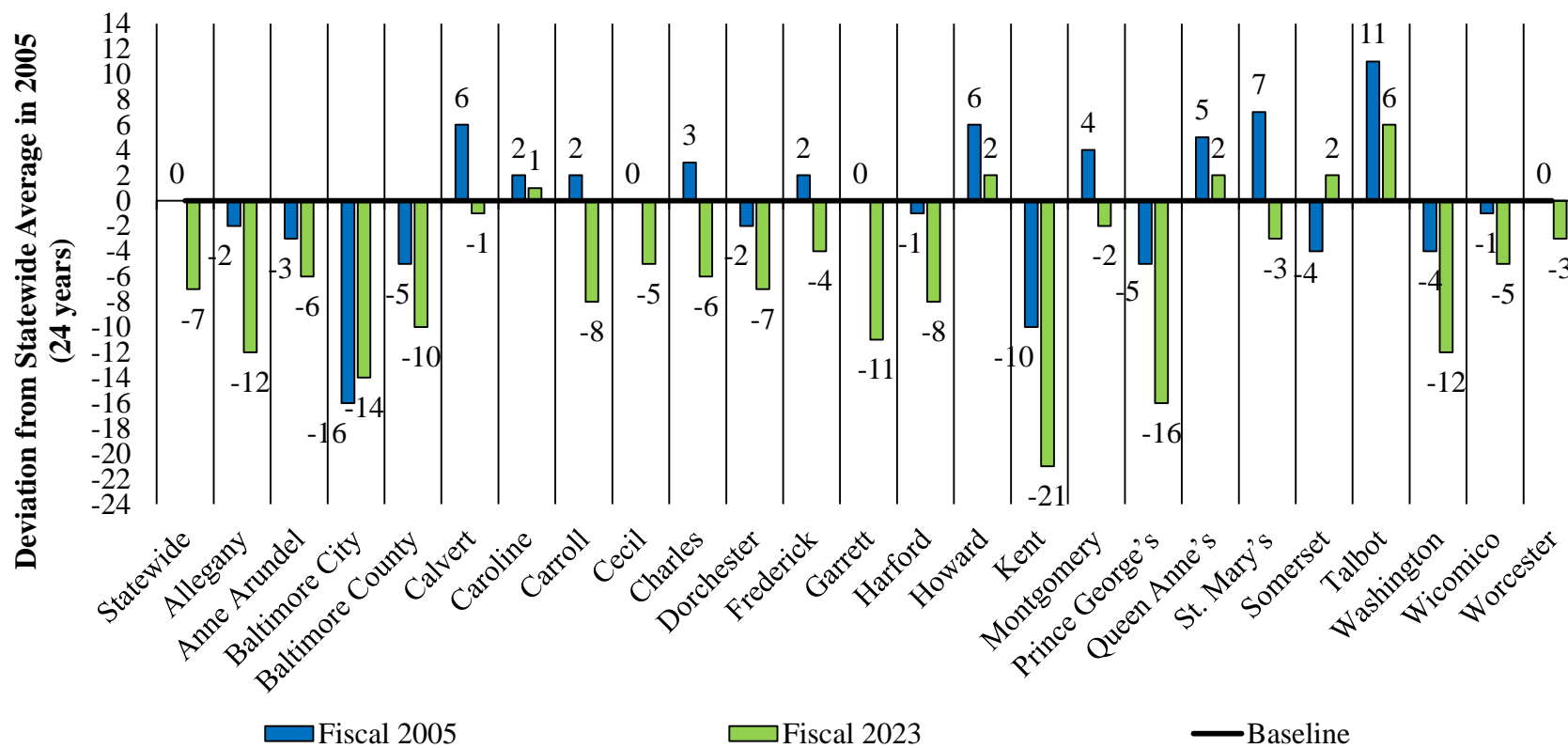
Statewide Square Footage

One of IAC’s performance goals focuses on the equity and quality of Maryland’s school facilities and whether they are safe physical environments for teaching and learning. As illustrated

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in **Exhibit 14**, one performance goal measures the average age of each LEA’s assigned public school facility square footage against the State baseline average age. This measure has been in place since fiscal 2005, which serves as the baseline year, when the average age of State square footage was 24 years. In fiscal 2023, the statewide average is 31 years.

Exhibit 14
Deviation from Statewide Average of Public School Facilities by Local Education Agency
Fiscal 2023



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Statewide Average Age of Square Footage in Fiscal 2023 = 31 Years

Source: Interagency Commission on School Construction, Managing for Results

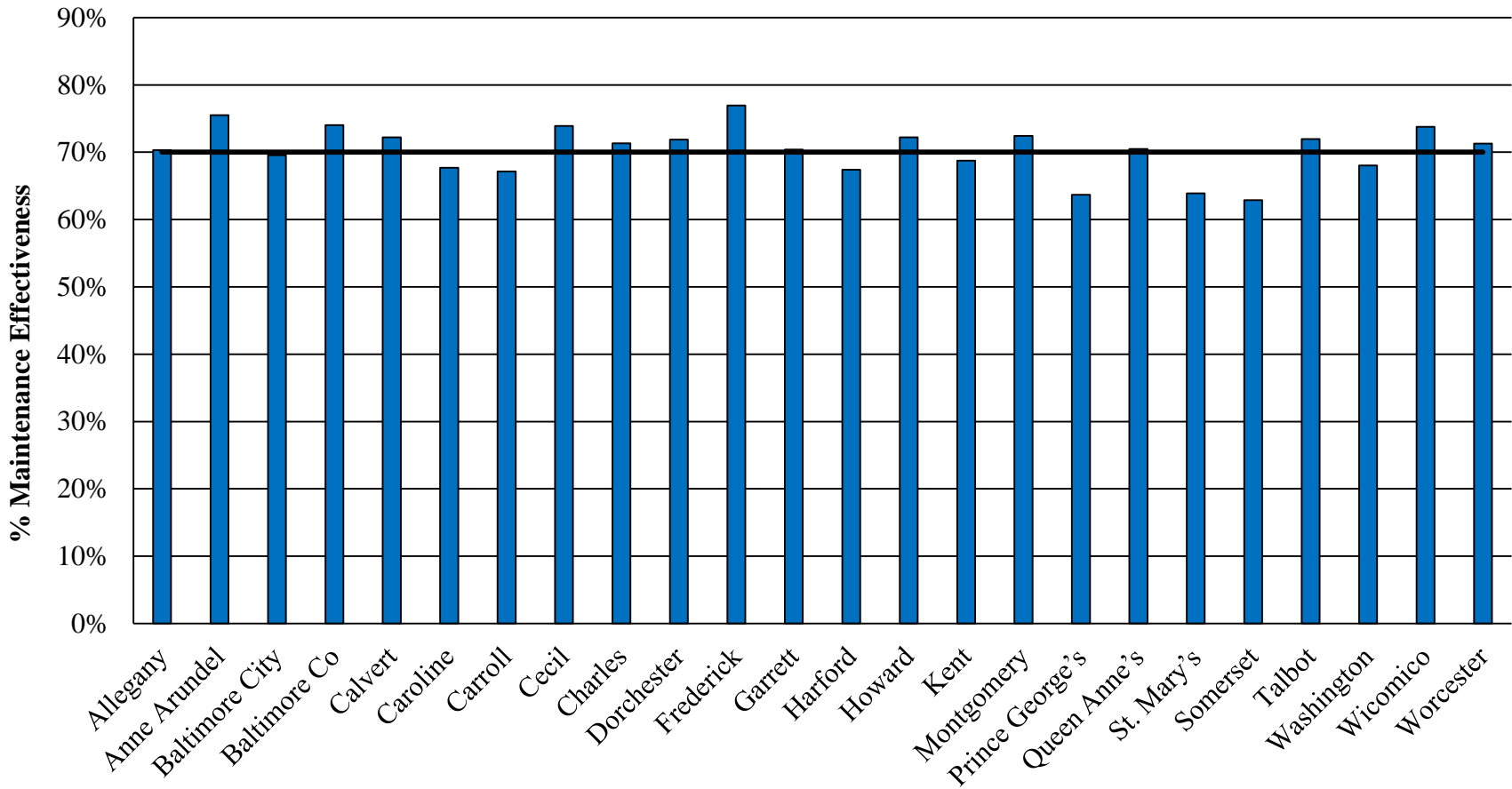
Annual Maintenance Assessment

In calendar 2021, IAC developed a new Maintenance Effectiveness Assessment with LEA input. This new assessment was implemented for fiscal 2021 and is based upon a more stringent rubric that is designed to reduce the subjectivity of the assessments. Elements of this new rubric include:

- 21 categories of components grouped into five major building systems – site, exterior, interior, equipment and systems, and maintenance management;
- weights for each component that reflect its impact on teaching and learning;
- five rating levels (superior, good, adequate, not adequate, and poor) with specific criteria and a rating factor for each level; and
- use of management software to produce an overall facility maintenance rating.

Exhibit 15 displays the results for fiscal 2023, the third year of this assessment, which shows an average score of 70%. Out of 24 LEAs, 18 scored above or at this average, and 6 scored below.

Exhibit 15
Maintenance Effectiveness Assessment
Fiscal 2023



Source: Interagency Commission on School Construction, Managing for Results

Appendix 1
School Construction Funding by Local Education Agency
Fiscal 1973-2024
(\$ in Thousands)

<u>LEA</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Allocation 2020-2024</u>	<u>Total Allocation 1973-2023</u>	<u>% of Total Since 2020</u>
Allegany	\$2,911	\$2,177	\$2,613	\$3,080	\$5,330	\$16,111	\$156,216	10.3%
Anne Arundel	33,674	38,282	38,014	34,748	62,696	207,414	853,596	24.3%
Baltimore City	38,200	44,989	69,299	79,805	93,410	325,703	1,147,125	28.4%
Baltimore	57,932	53,889	59,304	40,318	70,153	281,596	1,027,297	27.4%
Calvert	391	4,005	13,454	8,815	5,087	31,752	237,149	13.4%
Caroline	11,490	13,763	4,791	2,200	3,114	35,358	93,571	37.8%
Carroll	7,245	8,224	14,574	18,034	20,248	68,325	296,032	23.1%
Cecil	3,256	3,929	5,508	5,105	40,114	57,912	178,278	32.5%
Charles	14,038	12,505	12,311	27,938	28,049	94,841	357,438	26.5%
Dorchester	3,989	5,994	6,616	4,275	5,856	26,730	138,052	19.4%
Frederick	16,581	22,990	20,581	28,583	42,641	131,376	531,206	24.7%
Garrett	280	1,642	11,834	10,100	15,895	39,751	80,360	49.5%
Harford	9,599	12,422	14,715	11,267	21,505	69,508	413,253	16.8%
Howard	6,569	31,792	25,962	25,427	35,499	125,249	605,199	20.7%
Kent	1,473	2,531	158	1,863	1,658	7,683	25,528	30.1%
Montgomery	58,135	56,250	45,349	37,084	77,114	273,932	1,329,952	20.6%
Prince George's	40,367	44,721	38,924	44,055	79,130	247,197	1,098,997	22.5%
Queen Anne's	671	1,246	2,340	4,449	5,261	13,967	97,637	14.3%
St. Mary's	4,397	5,580	5,773	6,691	8,914	31,355	214,211	14.6%
Somerset	3,195	3,138	610	238	238	7,419	113,080	6.6%
Talbot	9,085	3,211	1,380	846	2,323	16,845	49,939	33.7%
Washington	11,466	8,446	8,718	9,969	14,903	53,502	232,195	23.0%
Wicomico	11,414	10,505	12,354	32,599	28,420	95,292	273,545	34.8%
Worcester	4,374	1,513	5,014	238	301	11,440	87,374	13.1%
MD School for the Blind	7,067	6,779	8,130	15,209	19,714	56,899	98,527	57.7%
Total	\$357,799	\$400,523	\$428,326	\$452,936	\$687,573	\$2,327,157	\$9,735,757	23.9%

Note: Does not include BTL or 21st Century Schools programs.

Appendix 2
State Cost Share by LEA
Fiscal 2023-2026

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors, including each local school system’s wealth and ability to pay. Chapter 14 requires that the cost-share formula be recalculated every two years (previously, statute required recalculation every three years). In early calendar 2023, IAC approved a plan to review and update the State cost-share formula before summer 2025. **Appendix 2** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2023 to 2026 as projected by IAC. Counties whose calculated State share would have been lower in fiscal 2023 than in fiscal 2022 were held harmless by Chapter 698 of 2021; Garrett County’s State share was adjusted in accordance with provisions of Chapter 698.

<u>County</u>	<u>2023 and 2024</u>	<u>2025</u>	<u>2026</u>
Allegany	90%	89%	89%
Anne Arundel	50%	50%	50%
Baltimore City	96%	94%	91%
Baltimore	61%	59%	57%
Calvert	56%	56%	56%
Caroline	88%	94%	94%
Carroll	59%	57%	54%
Cecil	66%	64%	61%
Charles	65%	64%	64%
Dorchester	93%	98%	98%
Frederick	65%	67%	67%
Garrett	90%	89%	89%
Harford	63%	61%	58%
Howard	56%	54%	51%
Kent	50%	50%	50%
Montgomery	50%	50%	50%
Prince George’s	73%	71%	68%
Queen Anne’s	51%	50%	50%
St. Mary’s	58%	58%	58%
Somerset	100%	100%	100%
Talbot	50%	50%	50%
Washington	79%	78%	78%
Wicomico	100%	98%	95%
Worcester	50%	50%	50%
Maryland School for the Blind	93%	89%	89%

Source: Interagency Commission on School Construction