

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1017 (Delegate Stocksdales)
Appropriations

**Education - Public School Construction and Capital Improvements - Revenue
Stabilization Account**

This bill requires that the interest and income earned from the investment of the Revenue Stabilization Account be transferred to the fund for public school construction and capital improvements. In addition, the bill requires that the State appropriation for the public school construction program in future years cannot be less than was appropriated in fiscal 1998.

This bill takes effect July 1, 1997.

Fiscal Summary

State Effect: Revenues could decrease by \$1.5 million annually beginning in FY 1999 and expenditures could increase by \$27.5 million annually beginning in FY 1998.

Local Effect: State aid for local school construction projects could increase by \$27.5 million in FY 1998.

Small Business Effect: Minimal. To the extent that small businesses bid on contracts from the public school construction program, they could benefit from additional funding for the program.

Fiscal Analysis

Background: The Revenue Stabilization Account was established in 1986 to allow for the accumulation of revenues to meet future obligations and to reduce the need for tax increases or severe budget reductions in the event of an economic downturn. Current law requires that annual appropriations of \$50 million be made to the fund until the fund reaches 5% of estimated general fund revenues. The fund reached the 5% target by the close of fiscal 1996

and did not receive an appropriation in fiscal 1997. The proposed State budget includes a \$105.2 million appropriation to the Revenue Stabilization Account in fiscal 1998, of which \$60 million is contingent upon the enactment of the Governor's income tax reduction plan (SB 237/HB 502) and the tobacco tax increase (SB 236/HB 501).

State Effect: This bill requires that the interest and income earned from the investment of the Revenue Stabilization Account be transferred to the fund for public school construction and capital improvements. Annual interest earnings from the Revenue Stabilization Account are estimated at \$27.5 million; State funding for school construction projects thus would increase by \$27.5 million annually. The \$27.5 million in future interest earnings assumes that the balance in the Revenue Stabilization Account would remain at \$520 million.

In addition, since under current law interest earnings are credited to the Revenue Stabilization Account, transferring the interest earnings from the Revenue Stabilization Account to the school construction program could decrease State revenues by \$1.5 million annually beginning in fiscal 1999. This estimate is based on a 5.3% investment return on moneys in the Revenue Stabilization Account.

Local Effect: The proposed fiscal 1998 State capital budget includes \$138.4 million for school construction projects. This bill would provide an additional \$27.5 million. The amount of additional funds received by each local school district would depend upon Board of Public Work's allocation of approved projects. The amount of additional school construction projects in future years would total approximately \$165.9 million. This is based on the State maintaining the fiscal 1998 level for school construction funding and \$27.5 million in interest earnings from the Revenue Stabilization Account.

Information Source(s): Department of Fiscal Services, Interagency Committee on School Construction

Fiscal Note History: First Reader - February 24, 1997
brd

Analysis by: Hiram L. Burch Jr.
Reviewed by: John Rohrer

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710