

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 35 (Delegate Boschert)
 Appropriations

Education - Maryland Public School Supplemental Construction and Capital Improvement Fund

This bill establishes the Maryland Public School Supplemental Construction and Capital Improvement Fund to provide additional revenue to local school systems for use as the local matching funds required for State funded public school construction projects. One-third of the net lottery revenues currently distributed to the State’s general fund must be distributed to the new school construction fund. Fund proceeds are to be allocated based on the lottery ticket sales in the county in which the local school system is located. The distribution of funds under the program is intended to provide additional revenue for local school systems and may not replace any other distribution of lottery proceeds to local school systems. The Interagency Committee on School Construction must administer the fund and report to the House Appropriations Committee and the Senate Budget and Taxation Committee on or before March 1 of each year on the fund’s activities for the previous fiscal year.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$128.0 million in FY 2002 and special fund revenues for public school construction projects would increase by the same amount. State expenditures for public school construction projects would increase by \$128.0 million in FY 2002. Future year expenditures are projected to increase by 1.5% each year.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	(\$128.0)	(\$130.0)	(\$132.0)	(\$134.0)	(\$136.0)
SF Revenue	128.0	130.0	132.0	134.0	136.0
SF Expenditure	128.0	130.0	132.0	134.0	136.0
Net Effect	(\$128.0)	(\$130.0)	(\$132.0)	(\$134.0)	(\$136.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: State aid for public school construction projects would increase by \$128.0 million in FY 2002. Local expenditures to pay for the local matching requirement for State funded public school construction projects could decrease beginning in FY 2002.

Small Business Effect: None.

Analysis

Current Law: Net revenues from sports lotteries conducted for the benefit of the Maryland Stadium Authority are distributed into the Maryland Stadium Facilities Fund and the net revenues from other State lotteries are distributed to the general fund. Under current practice, the Maryland Stadium Facilities Fund receives all the net revenues from the Big Game and several instant ticket games.

Background: The Interagency Committee on School Construction (IAC) administers Maryland's public school construction program. The Interagency Committee is comprised of State officials from the Board of Public Works, the Maryland State Department of Education, the Department of General Services, and the Maryland Office of Planning. Local school systems submit their capital funding requests to the Interagency Committee. After reviewing the submissions, the Interagency Committee makes recommendations to the Board of Public Works.

The State provides from 50% to 90% of the eligible costs for approved school construction projects, depending upon the wealth of the local school systems whereby less affluent school systems receive a higher State share. The remaining eligible costs and 100% of noneligible costs are paid by the local school systems. These costs are referred to as local matching funds. Noneligible costs include architectural and engineering fees, land acquisition, certain off-site development work, movable furniture and equipment, and square footage above the State formula. Noneligible costs may account for 15% to 20% of the total cost for a school construction project. In cases where the local school project exceeds the State's square footage guidelines, noneligible costs could account for between 25% to 30% of the total cost.

The ability to meet the local matching requirement for State school construction funds has been a concern for some less affluent jurisdictions. Some jurisdictions are having difficulty in providing sufficient local funds to qualify for State funds.

In the last five years (fiscal 1997 through fiscal 2001), State funding for public school construction projects has totaled over \$1 billion. In fiscal 2001, the State funded 79% of the local school systems' requests and eight local school systems received more State

funding than they requested. The proposed fiscal 2002 State budget includes \$237.5 million for public school construction projects.

State Fiscal Effect: Net revenues from State lotteries are projected to total approximately \$415.1 million in fiscal 2002. Of this amount, \$30.8 million is distributed to the Maryland Stadium Facilities Fund and \$384.3 million is distributed to the general fund. Requiring that one-third of lottery revenues distributed to the general fund be transferred to the Maryland Public School Supplemental Construction and Capital Improvement Fund will provide approximately \$128.0 million to cover the local matching requirement for State funded public school construction projects in fiscal 2002. **Exhibit 1** shows the revenue forecast for and distribution of State lottery revenues for the next four years pursuant to this bill.

Exhibit 1
Net Revenues from State Lottery

<u>(\$ in Millions)</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Net Lottery Revenues	\$415.1	-	-	-
Stadium Fund	\$30.8	-	-	-
General Fund	\$384.3	\$390.1	\$395.9	\$401.9
School Construction Fund	\$128.0	\$130.0	\$132.0	\$134.0

Source: Board of Revenue Estimates; (-) indicates that forecast is not available

Local Fiscal Effect: Local school systems have requested \$371.6 million in State funding for public school construction projects in fiscal 2002. Over the next six years (fiscal 2002 through fiscal 2007), local school systems' requests will total approximately \$1.7 billion. The amount of local matching funds required to meet the local school systems' request for State school construction funds is not available at this time. The Interagency Committee will be able to use approximately \$128.0 million in State lottery revenues in fiscal 2002 to cover the local matching funds. Accordingly, local expenditures needed to pay the local matching requirement could decrease in fiscal 2002. **Exhibit 2** shows the estimated fiscal 2002 distribution of revenues among local school systems based on the proportion of the fiscal 2000 lottery ticket sales occurring in each jurisdiction.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Lottery Agency, Interagency Committee on School Construction, Maryland State Department of Education, Board of Revenue Estimates, Department of Legislative Services

Fiscal Note History: First Reader – January 23, 2001
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Exhibit 2
**Maryland Public School Supplemental Construction
and Capital Improvement Fund**
Estimated Distribution of Local Matching Funds

<u>Local School System</u>	<u>Percent of Lottery Sales</u>	<u>Estimated Fund Distribution</u>
Allegany	0.9%	\$1,088,000
Anne Arundel	8.9%	11,328,000
Baltimore City	21.8%	27,904,000
Baltimore	14.6%	18,649,600
Calvert	1.2%	1,536,000
Caroline	0.4%	486,400
Carroll	1.7%	2,201,600
Cecil	1.0%	1,254,400
Charles	2.8%	3,622,400
Dorchester	0.5%	678,400
Frederick	2.1%	2,675,200
Garrett	0.3%	371,200
Harford	2.9%	3,750,400
Howard	2.3%	2,944,000
Kent	0.3%	371,200
Montgomery	9.7%	12,364,800
Prince George's	21.2%	27,110,400
Queen Anne's	0.5%	640,000
St. Mary's	1.7%	2,227,200
Somerset	0.5%	588,800
Talbot	0.5%	652,800
Washington	1.5%	1,868,800
Wicomico	1.2%	1,497,600
Worcester	1.7%	2,188,800
Total	100.0%	\$128,000,000

Prepared by the Department of Legislative Services