

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1663
Appropriations

(Delegate Hogan)

**Elementary and Secondary Education - Public School Construction - State
Funding**

This bill allows a local board of education to retain State school construction funds when a local project is completed at a cost that is less than the approved total cost for the project. The retained funds must be used to fund other school construction and improvement projects approved by the Interagency Committee on School Construction (IAC).

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Although the bill would entail additional administrative responsibilities for IAC staff, the added work could be accomplished with existing personnel and resources. Total State funding for public school construction would not be affected.

Local Effect: State funding for local school construction projects could be reallocated somewhat due to the authorization to retain State school construction funds for use on future projects. The reallocation would not be significant since IAC would still approve projects in the context of statewide requests and needs.

Small Business Effect: Minimal.

Analysis

Current Law: State funding for a school construction project that is initially approved but is later found to be in excess of the calculated maximum State participation amount reverts to a statewide school construction contingency fund. Money in the contingency fund for projects approved prior to fiscal 2006 may be reallocated in future fiscal years to school construction or improvement projects in any jurisdiction. Chapter 445 of 2005 (fiscal 2006 capital budget bill) requires monies allocated for projects in specific counties to remain available in future years only for projects in those counties.

Background: Due to lower State funding levels for public school construction in fiscal 2003, 2004, and 2005, many projects were funded over three or more years rather than one or two years. Because project costs had to be projected several years in advance, this led to problems in estimating total State participation in school construction projects. One example of this problem occurred in Frederick County, where the State share of funding for four projects was overestimated by a total of \$2.7 million and the excess funds were returned to the school construction contingency fund. Because the county had already funded and completed the four projects with the expectation that the State would be reimbursing a certain portion of its costs, local adjustments had to be made when the county was informed that the State funding would not be forthcoming. A February 2006 memo from the Maryland State Department of Education indicated that adjustments to the State process have been made to help avoid this problem in the future.

In addition to \$261.3 million in general obligation bonds and PAYGO, the proposed fiscal 2007 capital budget includes \$19.6 million in reallocations from the school construction contingency fund. The contingency fund includes State dollars that were initially approved for a project but were not used because the State share for the project was lower than initially estimated, the scope of the project was reduced, or the project was cancelled entirely.

Local Fiscal Effect: A local school system that is able to retain school construction funds could realize an increase in total available State funding due to the reuse of funds that might otherwise be reallocated to another school system. Any increase for one school system would result in a commensurate decrease in State funds available for every other school system.

The Public School Construction Program and IAC evaluate statewide needs in recommending State school construction allocations to the Board of Public Works. If the bill passes, IAC would still have to approve projects funded with excess State dollars.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Association of Boards of Education, Maryland State Department of Education, Public School Construction Program, Department of Legislative Services

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