

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 368
Appropriations

(Delegates Walkup and Sossi)

Kent County - School Construction - Cost-Share

This bill establishes State and local cost shares of 60% and 40%, respectively, for public school construction projects in Kent County.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Altering the percentage of eligible school construction costs paid by the State in Kent County would not impact State finances. The Governor's FY 2007 capital budget proposes \$281 million for public school construction of which \$3.5 million has been approved for the Kent County High School project.

Local Effect: If the bill would affect FY 2007 cost shares, Kent County expenditures for public school construction would decrease by \$1.2 million. Future year school construction expenditures in Kent County would decrease depending on the number and cost of projects approved for State funding. State aid for public school construction in all other counties could decrease due to the higher State share for Kent County.

Small Business Effect: None.

Analysis

Current Law: The Board of Public Works is responsible for adopting regulations to determine State and local cost shares for each county. State and local shares for each jurisdiction are determined by the following factors: local wealth per student; local

student population; designation as a distressed county; enrollment growth over the previous five years; and past local effort in funding school construction projects. Kent County has a 50% State share, the minimum share set by the Board of Public Works. State shares range from 50% to 97%.

Background: The Task Force to Study Public School Facilities, which was established by Chapter 288 of 2002 and submitted a final report in February 2004, recommended a new methodology for determining State and local shares of school construction funding. The method uses numerous local factors including local wealth, local needs, and past local effort. The new formula recommended by the task force has been adopted by the Board of Public Works and is in effect from fiscal 2006 to 2008. Under the new methodology, the State shares will be recalibrated every three years using the most recent available data. **Exhibit 1** shows the current State share for each jurisdiction. The shares will be recalculated in 2007, and the updated formula will apply to projects approved for State funding from fiscal 2009 to 2011.

Exhibit 1
State Share of Eligible School Construction Costs
Fiscal 2006 to 2008

Allegany	90%	Harford	65%
Anne Arundel	50%	Howard	58%
Baltimore City	97%	Kent	50%
Baltimore	50%	Montgomery	50%
Calvert	69%	Prince George's*	75%/69%
Caroline	89%	Queen Anne's	70%
Carroll	65%	St. Mary's	72%
Cecil	70%	Somerset	97%
Charles	70%	Talbot	50%
Dorchester	77%	Washington	65%
Frederick	72%	Wicomico	81%
Garrett	70%	Worcester	50%

*The State will provide 75% of eligible school construction costs for the first \$35 million per year it provides to Prince George's County and 69% of the eligible costs for any funding above \$35 million.

At the request of the task force, the Maryland State Department of Education, the Public School Construction Program, and the local school systems collaborated to conduct a

survey of the conditions and adequacy of the State's public schools in fall 2003. The assessment concluded that \$3.85 billion was needed to bring existing school facilities up to standards and meet the State's school capacity needs. This total included \$1.2 million in Kent County. The Task Force to Study Public School Facilities recommended a State funding level of \$250 million per year for eight years to fund the State's portion of public school construction costs in all school systems.

The proposed fiscal 2007 capital budget includes \$261.3 million in general obligation (GO) bonds and PAYGO for public school construction. An additional \$19.6 million is proposed to be reallocated from the school construction contingency fund, bringing the Governor's proposed total funding to \$280.9 million in fiscal 2007. Initial fiscal 2007 school construction allocations amounting to \$210.7 million were approved by the Board of Public Works in January 2006 and resulted in \$4.5 million for Kent County. The remaining \$70.2 million in proposed State funds will be allocated to the school systems prior to the start of fiscal 2007. The fiscal 2007 Capital Improvement Program submitted by the Governor assumes \$152.4 million annually from fiscal 2008 to 2010 and \$150 million in fiscal 2011 for public school construction.

State Expenditures: Changes in the State and local cost-share formula do not affect overall State expenditures for school construction. Increases in the State share for a single county or multiple counties could, however, result in fewer projects receiving State funding.

Local Fiscal Effect: Kent County is in the process of renovating the county high school. To date, the State has approved \$3.5 million for the project in fiscal 2007. With a 50% cost share, Kent County is responsible for matching the State contribution equally. If the county's State share is increased to 60%, Kent County would only have to expend \$2.3 million to provide the required local funding. The bill, therefore, would result in a \$1.2 million one-year expenditure reduction for Kent County if the new cost share is implemented in fiscal 2007.

Future year savings for Kent County would depend on the number and cost of county projects approved for funding by the State. For every \$1 million in eligible school construction costs, Kent County would save \$100,000 in local funding.

A higher State share for Kent County could reduce State school construction funding for every other school system. Alternatively, it could result in the same amount of State funding for Kent County with State funds approved for fewer county projects.

Additional Comments: State school construction funding is determined one fiscal year in advance with an understanding about the shares that will be paid by the State and the

local governments. By the time the bill takes effect, July 1, 2006, all funding for fiscal 2007 will have been allocated under the current State and local cost share assumptions. It is unclear, therefore, if the bill would have any effect on the cost shares (and Kent County expenditures) in fiscal 2007. The bill would clearly be in effect for fiscal 2008 and subsequent years.

Additional Information

Prior Introductions: None.

Cross File: SB 472 (Senator Pipkin) – Budget and Taxation.

Information Source(s): Kent County, Public School Construction Program, Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2006
mll/rhh

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