DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

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Executive Director

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Director

March 20, 2013

The Honorable Norman H. Conway
121 House Office Building
6 Bladen Street
Annapolis, Maryland 21401-1991

Dear Chairman Conway:

You have requested a reanalysis of the fiscal effect of HB 860 as amended by the House Appropriations Committee (Amendment #124761/1). As introduced, HB 860 creates the Baltimore City Public Schools Construction Authority as a public corporation to improve the condition of public school facilities in Baltimore City. The authority is authorized to issue bonds up to $1.2 billion to support construction and renovation of public school facilities in the city. The bill also requires the State to provide a block grant to the authority beginning in fiscal 2015 and each year thereafter. The grant must be for the greater of 12% of the entire State public school construction capital program or $32.0 million, adjusted annually for inflation. As introduced, the bill also raises the statutory debt limit for the Baltimore City Board of School Commissioners (BCBSC) from $100.0 million to $200.0 million.

The committee amendments make wholesale changes to the bill. All references to the establishment of a Baltimore City Public Schools Construction Authority are deleted, and instead the Maryland Stadium Authority (MSA) is authorized to issue up to $1.1 billion in debt to finance school construction and revitalization projects in Baltimore City, subject to approval by the Board of Public Works and the execution of a multi-party memorandum of understanding. MSA is also tasked with managing and overseeing the construction initiative, subject to oversight and approval by the Interagency Committee on School Construction (IAC). Instead of a block grant from the State, the committee amendments divert $20.0 million annually in State lottery proceeds to a special fund established to pay debt service on the bonds issued by MSA, as well as other related expenses. The bill also phases in a requirement for Baltimore City Public Schools and Baltimore City to each contribute $20.0 million annually, dedicated to debt service and other expenses related to the initiative. The amended bill maintains the increase in the BCBSC statutory debt limit from $100.0 million to $200.0 million.

Under current law, State lottery revenue that is not used to pay cash prizes, lottery vendors, operating expenses, and other specified expenses is deposited into the general fund. Therefore, as amended by the committee, the bill's primary fiscal effect is an annual reduction in general fund revenue of $20.0 million, beginning in fiscal 2015. In addition, personnel and contractual costs for the Public School Construction Program (PSCP) and the agencies that staff IAC – the Maryland State Department of Education (MSDE), Maryland Department of Planning (MDP), and Department of General Services (DGS) – all increase somewhat to manage the review and approval of an estimated 4 to 10 additional large school construction projects in Baltimore City annually over at least the next five years. **Exhibit 1** summarizes the estimated increase in general fund expenditures beginning in fiscal 2014. It is assumed that the PSCP program manager is hired on or immediately after the bill's July 1, 2013 effective date, but the hiring of the MSDE architect reflects a 90-day start-up delay.

Exhibit 1
Fiscal 2014 General Fund Expenditure Increases

Program Manager for PSCP	$115,800
One-time IT Contractual Support for MDP	60,000
External Consultants for DGS	147,300
Architect for MSDE	70,500
Total FY 2014 State Expenditures	**$393,600**

Out-year expenses would reflect a full salary for the MSDE architect, turnover, inflation, and the termination of one-time costs for MDP. Any expenses incurred by MSA to carry out its responsibilities under the bill would be paid from the special financing fund established under the bill that receives all State and local funding dedicated to the project.

Sincerely,

[redacted]

Michael C. Rubenstein
Principal Analyst

MCR/ncs

cc: Delegate Adrienne A. Jones
Mr. Karl S. Aro
Mr. Warren G. Deschenaux