

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 103

(Delegate Morhaim, *et al.*)

Health and Government Operations

Budget and Taxation

School Buildings - Solar Technology - Design Development Documents

This bill requires the Board of Public Works (BPW) to adopt regulations that require that the design development documents submitted by local boards of education to the Interagency Committee on School Construction (IAC) for the construction or major renovation of a public school building include an evaluation of the use of solar technology, including photovoltaic or solar water heating, based on life-cycle costs. If an evaluation determines that solar technology is not appropriate for a specific school construction or major renovation project, the local board must submit a report explaining why it is not appropriate. The bill includes a related reporting requirement for IAC, due by December 31 of each year.

The bill takes effect June 1, 2013.

Fiscal Summary

State Effect: None. BPW and IAC can implement the bill's requirements with existing budgeted resources. To the extent that solar technologies are implemented, the State bears at least 50% of the cost; however, total State expenditures do not increase as school construction funding is established annually through the capital budget process. Fewer projects may receive funding.

Local Effect: Increase in initial expenditures for life-cycle cost assessments for school construction or major renovation projects submitted to IAC by boards of education, estimated to be between \$5,000 and \$10,000 for each assessment. To the extent that solar technologies are implemented, local school boards would bear between 5% and 50% of the cost, which would ultimately be recouped within seven years through reduced expenditures on utilities. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful for manufacturers and installers of solar technologies.

Analysis

Current Law/Background: For a description of the Public School Construction Program (PSCP), please see the **Appendix – State Funding for Public School Construction Projects**.

Chapter 300 of 2000 (SB 711) established a Solar Energy Pilot Program to promote the use of solar energy systems in public school buildings. Grants under the program cover 90% of the cost of purchasing and installing solar energy systems in approved new or renovated school buildings; local school systems are responsible for all architectural and engineering fees associated with the systems, as well as 10% of the cost of purchasing and installing the systems. The Governor included \$250,000 in the State budget for the pilot program in both fiscal 2001 and 2002, but the funds were never expended and they reverted back to the State's general fund. No funds have been included in the budget for the program since then.

The fiscal 2013 capital budget adopted during the 2012 legislative session dedicated \$25.0 million of PSCP funding to an Energy Efficiency Initiative (EEI):

for projects that improve the energy efficiency of schools, including improvements to [heating, ventilation, and air conditioning] systems, lighting, mechanical systems, windows and doors, and any other type of improvement that is specifically designed to improve the energy efficiency of a school building...

IAC received 261 requests for EEI funding and has recommended funding for 200 of those projects so far in fiscal 2013 and 2014, which have been approved by BPW. Of those, five are solar energy projects that received a total of \$822,000 in fiscal 2013: three are in Caroline County, one is in Dorchester County, and one is in Baltimore City. IAC advises that several of those projects have already proceeded to the installation phase, with four of the five projects consisting of ground-mounted solar panel arrays.

Small Business Effect: To the extent that the bill increases the number of solar energy systems installed in new or existing school buildings, small businesses that manufacture, sell, and install those systems may benefit.

Additional Information

Prior Introductions: HB 1237 of 2012 passed the House, but no action was taken on it in the Senate.

Cross File: SB 245 (Senator Robey) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 4, 2013
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Appendix – State Funding for Public School Construction Projects

Subject to the final approval of the Board of Public Works (BPW), the Interagency Committee on School Construction (IAC) manages State review and approval of local school construction projects. Each year, local systems develop and submit to IAC a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a capital improvement plan to IAC that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county's governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, IAC makes recommendations for which projects to fund to BPW. By December 31 of each year, IAC must recommend to BPW projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school boards may then appeal the IAC recommendations directly to BPW. By March 1 of each year, IAC must recommend to BPW and the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, IAC recommends projects comprising the remaining school construction funds included in the enacted capital budget for BPW approval, no earlier than May 1.

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. The Public School Facilities Act (Chapters 306 and 307 of 2004, SB 787/HB 1230) requires that the cost-share formula be recalculated every three years. The first recalculation occurred in 2007, and the second recalculation occurred in 2010. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2012, which was determined by the 2007 recalculation, and for fiscal 2013 through 2015, as determined by the 2010 recalculation. The 2013 recalculation will be conducted prior to fall 2013 for implementation beginning in fiscal 2016.

Chapters 306 and 307 also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. As a result, the Public School Construction Program funding increased from

\$125.9 million in fiscal 2005 to \$253.8 million in fiscal 2006, and it has remained above the \$250.0 million target each year since, which resulted in significant increases in school construction assistance to local school boards. As a result, the State achieved the \$2.0 billion goal ahead of schedule. **Exhibit 2** shows annual State public school construction funding since fiscal 2006, by county.

Exhibit 1
State Share of Eligible School Construction Costs
Fiscal 2012-2015

<u>County</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Allegany	91%	93%	93%	93%
Anne Arundel	50%	50%	50%	50%
Baltimore City	94%	93%	93%	93%
Baltimore	50%	50%	50%	50%
Calvert	61%	56%	56%	56%
Caroline	86%	81%	78%	78%
Carroll	61%	58%	58%	58%
Cecil	75%	70%	69%	69%
Charles	77%	72%	67%	63%
Dorchester	71%	69%	69%	69%
Frederick	72%	67%	62%	60%
Garrett	59%	54%	50%	50%
Harford	59%	63%	63%	63%
Howard	61%	60%	60%	60%
Kent	50%	50%	50%	50%
Montgomery	50%	50%	50%	50%
Prince George's	73%	68%	63%	62%
Queen Anne's	55%	50%	50%	50%
St. Mary's	75%	70%	65%	64%
Somerset	88%	83%	82%	82%
Talbot	50%	50%	50%	50%
Washington	73%	71%	71%	71%
Wicomico	87%	96%	96%	96%
Worcester	50%	50%	50%	50%

Source: Public School Construction Program

Exhibit 2
State Funding for Public School Construction
(\$ in Thousands)

<u>County</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Total FY 06-13</u>
Allegany	\$12,000	\$18,650	\$412	\$0	\$0	842	603	741	\$33,248
Anne Arundel	19,457	22,675	27,827	27,420	25,020	26,200	27,400	33,300	209,299
Baltimore City	21,523	39,436	52,665	41,000	27,733	28,559	32,000	42,600	285,516
Baltimore	25,218	35,053	52,250	40,985	28,000	29,000	32,000	43,300	285,806
Calvert	3,437	2,723	12,644	7,824	8,181	8,450	6,907	7,018	57,184
Caroline	4,699	2,935	2,426	8,100	6,000	3,767	86	350	28,363
Carroll	7,434	8,282	8,219	11,741	10,520	8,444	8,905	12,748	76,293
Cecil	8,656	8,271	9,533	2,674	1,538	1,744	2,414	1,514	36,344
Charles	8,267	10,200	13,170	11,704	8,898	8,335	8,630	8,000	77,204
Dorchester	656	872	6,137	10,400	6,469	5,436	3,502	0	33,472
Frederick	11,910	17,942	18,728	14,759	16,226	14,000	16,300	19,092	128,957
Garrett	1,507	1,235	6,243	3,020	666	0	333	0	13,004
Harford	8,287	11,096	16,238	14,751	16,253	13,835	16,206	14,512	111,177
Howard	15,273	17,808	23,206	18,265	18,262	18,290	22,936	32,490	166,530
Kent	2,000	3,479	1,335	0	388	0	0	0	7,202
Montgomery	30,431	40,040	52,297	53,312	28,350	30,183	33,000	43,106	310,720
Prince George's	29,833	37,425	52,250	41,000	28,200	29,500	31,348	40,375	289,931
Queen Anne's	6,897	3,000	3,925	4,951	3,947	5,750	5,195	0	33,665
St. Mary's	3,271	5,495	9,806	7,266	4,028	6,600	3,064	2,314	41,844
Somerset	14,300	12,022	5,153	0	6,000	6,000	3,257	0	46,732
Talbot	2,422	2,405	2,038	0	436	344	0	0	7,645
Washington	6,431	4,478	8,970	9,368	7,965	7,970	8,400	9,000	62,582
Wicomico	7,616	4,178	8,143	12,960	13,170	9,975	1,597	10,808	68,447
Worcester	2,241	6,872	8,213	5,483	403	0	0	0	23,212
MD School for the Blind								2,800	2,800
Bond Premium		6,100							6,100
Statewide						500	47,500	25,100	73,100
Total	\$253,766	\$322,672	\$401,828	\$346,983	\$266,653	\$263,724	\$311,583	\$349,167	\$2,516,376
Over \$250 million	\$3,766	\$72,672	\$151,828	\$96,983	\$16,653	\$13,724	\$61,583	\$99,167	\$516,376

Note: \$25.0 million of the statewide allocation in fiscal 2013 is for the Energy Efficiency Initiative and is to be distributed based on local requests and need for funding to replace inefficient systems.