

Department of Legislative Services  
 Maryland General Assembly  
 2024 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 1390  
 Appropriations

(Delegate Harris)

Budget and Taxation

Public Schools - Public School Construction - Funding and Administration

This bill (1) repeals the scheduled termination of the School Safety Grant Program (SSGP) on June 30, 2026; (2) reduces the mandated appropriation for the Nancy K. Kopp Public School Facilities Priority Fund (PSFPF) by \$10.0 million annually beginning in fiscal 2027; (3) alters the purpose of PSFPF only for fiscal 2027; (4) under specified conditions in current law, requires the State to begin making payments to Prince George’s County for a public-private partnership (P3) in fiscal 2025 (instead of fiscal 2026); (5) makes various changes to the governance of the Prince George’s County P3 agreement; (6) establishes the Workgroup on the Assessment and Funding of School Facilities; and (7) clarifies legislative intent regarding annual funding levels for school construction. **The bill takes effect June 1, 2024.**

Fiscal Summary

**State Effect:** No effect in FY 2024. Special fund expenditures increase by \$54.0 million only in FY 2025 due to the mandated distribution. Special fund revenues decrease by \$10.0 million annually beginning in FY 2027; special fund expenditures decrease correspondingly. No net effect on general fund expenditures as the continuation of SSGP is offset by the reduction in funding for PSFPF. **This bill establishes a mandated distribution only in FY 2025, establishes a mandated appropriation beginning in FY 2027, and reduces another mandated appropriation beginning in FY 2027.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$0	\$0	(\$10.0)	(\$10.0)	(\$10.0)
SF Expenditure	\$54.0	\$0	(\$10.0)	(\$10.0)	(\$10.0)
Net Effect	(\$54.0)	\$0.0	\$0.0	\$0.0	\$0.0

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

**Local Effect:** Prince George’s County revenues increase by \$54.0 million in FY 2025 due to the mandated distribution. Other provisions have no net effect on local revenues for school construction but do affect how some of those funds may be spent beginning in FY 2027 and may affect local matching requirements.

**Small Business Effect:** Minimal.

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## **Analysis**

### **Bill Summary:**

#### *Annual Funding for School Construction*

The bill clarifies that legislative intent expressed in current law – that the State should provide at least \$450.0 million annually for public school construction – does not include funding provided through the Built to Learn (BTL) program.

#### *Nancy K. Kopp Public School Facilities Priority Fund*

Only for fiscal 2027, the purpose of PSFPF is to provide State funds to address the severity of issues in a school, including (among other things) air conditioning, heating, and plumbing.

#### *Prince George's County Public-private Partnership Project*

The bill repeals the July 1, 2024 deadline for the Prince George's County Board of Education to enter into a P3 agreement that is eligible for State funding. A memorandum of understanding (MOU) governing a P3 project in Prince George's County that receives State funding (as required under current law) must specify that the governance structure for the program is the Prince George's County Superintendent of Schools, the Prince George's County Executive, and the chair of the Prince George's County Council. The bill makes additional technical and conforming changes to the requirements for P3 agreements in Prince George's County.

#### *Workgroup on the Assessment and Funding of School Facilities*

Beginning June 1, 2025, the workgroup must (1) consider how the relative condition of public school facilities should be prioritized, as specified, and (2) determine whether (and how) the results of the statewide facilities assessment should be incorporated into school construction funding decisions. The Department of Legislative Services, in consultation with the Interagency Commission on School Construction (IAC), must staff the workgroup. By January 1, 2026, the workgroup must report its findings and recommendations to the Governor and the General Assembly.

*Prince George’s County School Construction Priority*

The bill requires that the Prince George’s County Board of Education give priority to High Point High School as the next major project in its capital improvement program after New Northern Adelphi Area High School.

**Current Law:**

*Built to Learn Act and Prince George’s County P3 Funding*

The Built to Learn Act, enacted as Chapter 20 of 2020, authorizes the Maryland Stadium Authority (MSA) to issue up to \$2.2 billion in revenue bonds, backed by annual payments from the Education Trust Fund (ETF) beginning in fiscal 2022, for public school construction projects in the State, including to support a P3 agreement to build six new schools (later increased to eight) in Prince George’s County. Proceeds from the revenue bonds are allocated among local school systems as shown in **Exhibit 1** (based on MSA’s most recent projection of anticipated revenues of \$1.7 billion given increases in interest rates since the program’s enactment). Funds must be used to build or renovate schools within 10 years.

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**Exhibit 1**  
**Allocation of Built to Learn Bond Sale Proceeds**  
**(\$ in Millions)**

	<u>Percent of Total</u>	<u>Proceeds</u>
Anne Arundel	12.5%	\$212.5
Baltimore City	21.0%	357.0
Baltimore	21.0%	357.0
Frederick	5.1%	86.7
Howard	6.6%	112.2
Montgomery	21.0%	357.0
Prince George’s	*	*
All Other Counties	11.5%	195.5
Unallocated/Maryland Stadium Authority	1.3%	22.1
<b>Total</b>	<b>100.0%</b>	<b>\$1,700.0</b>

\* Under Chapter 20 of 2020, as amended by Chapter 679 of 2023, Prince George’s County receives \$27.0 million annually for up to 30 years to supplement local funds for an availability payment if it enters into a public-private partnership agreement, subject to other provisions in the Act.

Source: Department of Legislative Services

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Proceeds from the MSA bond sales and the amounts transferred from ETF for debt service and expenses are deposited into the Supplemental Public School Construction Financing Fund (financing fund), a nonbudgeted fund administered by MSA. In each of fiscal 2024 and 2025, MSA must deposit \$27.0 million from the financing fund into the Prince George's County Public-Private Partnership Fund (P3 Fund), administered by IAC; beginning in fiscal 2026, MSA must continue to make those annual payments to the P3 Fund if Prince George's County deposits the amount required under the MOU into the fund. Beginning in fiscal 2026 and through not later than fiscal 2055, IAC must pay the Prince George's County Board of Education from the P3 Fund an amount specified in the MOU for availability payments to the P3 private partner(s); IAC must make these payments only if the P3 agreement remains in effect and Prince George's County deposits into the P3 Fund the amount specified in the MOU. *The bill* requires IAC to begin making payments from the P3 Fund in fiscal 2025 (as long as the same conditions are met).

### *School Safety Grant Program*

Chapter 14 of 2018 (the 21st Century School Facilities Act) created SSGP to provide grants to local school systems for school security improvements, including:

- secure and lockable doors for each classroom;
- an area of safe refuge in each classroom; and
- surveillance and other security technology for school monitoring purposes.

IAC is responsible for administering the program, in consultation with the Maryland Center for School Safety (MCSS). Under an MOU between the two entities, MCSS handles the application process and IAC processes payments for the program.

The Governor must provide \$10.0 million in the annual operating or capital budget for the program. Since fiscal 2023, the program has been funded with general funds, and the fiscal 2025 operating budget as introduced includes \$10.0 million in general funds for the program.

The Built to Learn Act expressed legislative intent that funding for SSGP (and the Aging Schools Program) be consolidated into PSFPF beginning in fiscal 2027. Accordingly, Chapter 679 of 2023 terminated SSGP effective June 30, 2026, with the intention of shifting its funding to the priority fund. PSFPF has since been renamed to honor Nancy K. Kopp.

### *Nancy K. Kopp Public School Facilities Priority Fund*

The purpose of PSFPF is to provide State funds to address the facility needs of the highest priority schools in the State, as identified by a statewide facilities assessment completed by HB 1390/ Page 4

IAC. Highest priority must be given to schools with severe facility issues that have required the school to be closed during the current or previous school year. Current law specifies that if the statewide facilities assessment is not completed, the purpose of the fund is to provide State funds to address the severity of issues in a school, including (among others) air conditioning, heating, and plumbing. However, as the facilities assessment is complete, this contingency does not apply.

Beginning in fiscal 2027 and annually thereafter, the Governor must appropriate at least \$80.0 million to the fund. Money expended from the fund is supplemental to and is not intended to take the place of funding that would otherwise be appropriated to primary and secondary schools in the State.

**State Fiscal Effect:** IAC advises that Prince George's County expects to make an initial availability payment of \$54.0 million under the terms of the P3 agreement it is currently finalizing. This represents the sum of the \$27.0 million payments from MSA to the P3 Fund in both fiscal 2024 and 2025. Therefore, special fund expenditures from the P3 Fund to Prince George's County increase by \$54.0 million in fiscal 2025 due to the mandated acceleration of the IAC payments to Prince George's County by one year. As payments were scheduled to begin in fiscal 2026 and continue for up to 30 years, there is no effect in the out-years (except that payments may end earlier than projected).

General fund expenditures increase by \$10.0 million annually beginning in fiscal 2027 to maintain the mandated appropriation for SSGP but are offset by a \$10.0 million reduction in funding for PSFPF. Therefore, there is no net effect on general fund expenditures. However, special fund revenues and expenditures for PSFPF decrease by \$10.0 million annually beginning in fiscal 2027.

Maintaining SSGP has no practical effect on administrative costs for IAC or MCSS, as staffing is already in place to continue operating the program. The clarification of legislative intent regarding State funding for public school construction has no practical effect as the State has met the \$450.0 million threshold without BTL funding each year since the intent was established.

**Local Fiscal Effect:** Prince George's County revenues increase by \$54.0 million in fiscal 2025 due to the mandated distribution so that it can make the availability payment under the terms of its anticipated P3 MOU.

Requiring the Prince George's County Board of Education to give preference to High Point High School has no direct effect on local finances but may affect the timeline for other school construction projects in the county.

Beginning in fiscal 2027, State funding for the highest priority school construction projects, as identified by the statewide facilities assessment, decrease by \$10.0 million annually. However, local revenues for school safety improvements increase by \$10.0 million annually beginning in fiscal 2027. Accordingly, local matching fund requirements may be affected.

**Additional Comments:** Under current law, Prince George’s County must enter into a P3 agreement by July 1, 2024, or forfeit all State funding in support of the agreement. To date, it has not completed an agreement; IAC advises that the county is in the process of finalizing an agreement, which it hopes to complete by the deadline (but may not). The bill repeals the deadline, virtually ensuring that Prince George’s County receives BTL funding. This analysis does not reflect any potential consequences – either for the county or the State – of the county failing to enter into an agreement by the deadline in the absence of the bill.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Maryland State Department of Education; Interagency Commission on School Construction; Maryland Center for School Safety; Department of Budget and Management; Baltimore County Public Schools; Montgomery County Public Schools; Department of Legislative Services

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