

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 874 (Prince George's County Senators)
Budget and Taxation

Prince George's County School Construction - Desegregation Plan

This bill requires the State to pay 90% of the first \$10 million of approved school construction costs in Prince George's County relating to the county's six-year desegregation plan and 75% for any amount exceeding \$10 million. This proportion of State funding for school construction projects in Prince George's County is effective for fiscal 1998 through 2002. Under current law, the State pays 60% of the cost for approved school construction projects.

This bill takes effect July 1, 1997.

Fiscal Summary

State Effect: Indeterminate effect on State expenditures. Revenues would not be affected.

Local Effect: Indeterminate impact on local governments as discussed below.

Small Business Effect: None. Small businesses are not directly affected.

Fiscal Analysis

State Effect: The proposed fiscal 1998 State capital budget includes \$138.4 million for school construction projects. The State share of construction costs ranges from 50% in wealthy counties to 75% in less affluent counties. The State currently pays for 60% of approved school construction costs in Prince George's County. This bill would increase the State share to 90% of the first \$10 million in construction costs and 75% for costs exceeding \$10 million for school construction projects relating to the county's six-year desegregation plan. The increase in State expenditures would depend upon the amount of State school construction funding approved by the Board of Public Works for Prince George's County

over the next five years. Since the Board of Public Works has not determined the amount of funding for future school construction projects, the total impact on State expenditures pursuant to this legislation is not known. However, the potential impact on State expenditures could be illustrated by using actual data from fiscal 1997.

For example, in fiscal 1997, the State provided Prince George’s County with \$6,048,000 in school construction funding. To receive this funding, Prince George’s County had to provide a 40% match or \$4,032,000. When the State and county shares are combined, the school construction program for Prince George’s County in fiscal 1997 totaled approximately \$10,080,000. Using the new matching ratios, the State share would increase by \$3,012,000 to \$9,060,000 and the local share would decrease by \$3,012,000 to \$1,020,000, as illustrated below.

Fiscal Impact Using FY 1997 Funding Level			
	Current Law	SB 874	Difference
State Share	\$6,048,000	\$9,060,000	\$3,012,000
Prince George’s County Share	\$4,032,000	\$1,020,000	(\$3,012,000)
Total	\$10,080,000	\$10,080,000	\$0

To fund this increase, the State would either have had to increase the overall funding for the State school construction program by 2% or decrease the amount of funding provided to other jurisdictions. The \$3 million in additional aid to Prince George’s County exceeds the amount provided to seven counties (Allegany, Caroline, Garrett, Kent, Somerset, Talbot, and Worcester) in fiscal 1997.

Local Effect: Pursuant to this legislation, Prince George’s County would receive additional State aid to fund approved school construction projects relating to the county’s six-year desegregation order assuming that the State does not reduce the number of projects receiving State funding. Based on the size of the county’s approved school construction projects in fiscal 1997, Prince George’s County could receive an additional \$3 million in State aid that offsets an equivalent amount of local mandated school construction expenditures. The lower local matching requirement could either reduce overall county expenditures or fund other school or county programs and services. Further, unless the State increases the amount of funding provided in the State’s capital budget for school construction, other jurisdictions would realize less State assistance.

Information Source(s): Interagency Committee on School Construction, Department of Fiscal Services

Fiscal Note History: First Reader - March 17, 1997

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