

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 657 (Prince George's County Delegation)

Appropriations

Prince George's County - School Construction
(PG 417-98)

This emergency bill requires the State to provide Prince George's County with \$35 million each year in school construction funding for fiscal 1999 through 2002. Prince George's County must provide at least \$32 million annually for school construction projects. The Prince George's County Board of Education may also construct school facilities on property owned by a public agency participating in a joint-use agreement with the county board.

Except for the provision that enables the school system to construct school facilities on non-school property, this bill sunsets on June 30, 2002.

Fiscal Summary

State Effect: None. The fiscal 1999 State capital budget includes \$222 million for school construction projects. This bill would provide Prince George's County with at least 15.8% of the total State allocation. The bill's requirement, however, would not necessarily require the total State school construction program to increase.

Local Effect: Prince George's County will be able to leverage \$35 million in State funds with the \$32 million in local funding required under the bill. Potential reduction in county expenditures resulting from constructing school facilities on property owned by other public agencies.

Small Business Effect: None.

Fiscal Analysis

State Effect: The State must provide Prince George’s County with \$35 million each year for public school construction projects for fiscal 1999 through 2002. This results in a \$140 million State funding commitment over the next four years. As illustrated in **Exhibit 1**, during the last four years, the State has provided Prince George’s County with approximately \$48.5 million in school construction funding, which represents over 9% of total State funding for school construction projects. The proposed State funding commitment would result in a 189% increase in State support for school construction projects in Prince George’s County compared to the last four years. In addition, based on the State’s proposed fiscal 1999 capital budget, Prince George’s County would receive around 16% of the total amount of State school construction funding.

Exhibit 1
State School Construction Funding for Prince George’s County

Fiscal Year	State Funding	% of State Total
Fiscal 1995	\$11.0 million	10%
Fiscal 1996	\$11.2 million	9.4%
Fiscal 1997	\$6.0 million	4.3%
Fiscal 1998	\$20.3 million	13.5%
Fiscal 1995-1998	\$48.5 million	9.4%

Source: Public School Construction Program

State Funding Arrangement

The State would be responsible for 75% of eligible project costs for the first \$35 million in public school construction costs with the county funding 25% of eligible project costs and 100% of noneligible project costs. At least \$20 million of the State funds must be spent each year on neighborhood school projects. For funding above \$35 million, the State would pay 60% of eligible costs. Under the current State formula, the State pays for 60% of eligible project costs with the county funding 40% of eligible project costs and 100% of noneligible project costs. Noneligible project costs include architectural and engineering fees, land acquisition, certain off-site development work, removable furniture and equipment, and square footage above the State formula. It is estimated that non-eligible costs may account for approximately 30% of the total cost for a new school construction project.

Local Effect: Prince George’s County is required to provide a minimum of \$32 million

each year for school construction projects in fiscal 1999 through 2002. This results in a \$128 million local funding commitment for public school construction projects. As shown in **Exhibit 2**, the proposed local funding commitment is significantly higher than the amount provided by the county in prior years. Between fiscal 1995 and fiscal 1998, the Prince George’s County share of school construction projects totaled \$90.2 million, or roughly \$22.5 million each year. The proposed county commitment would require a 42% increase in annual local school construction funding.

Exhibit 2
Prince George’s County Funding Commitment for School Construction

Fiscal Year	Local Contribution
Fiscal 1995	\$32.6 million
Fiscal 1996	\$12.0 million
Fiscal 1997	\$16.9 million
Fiscal 1998	\$28.7 million
Fiscal 1995-1998	\$90.2 million
<i>Four Year Average</i>	<i>\$22.5 million</i>

Source: Prince George’s County School Systems

Prince George’s County must provide any additional funds that are necessary to match the annual State appropriation for public school construction projects in Prince George’s County. However, as illustrated in **Exhibit 3**, due to the proposed changes to the State school construction matching requirement, Prince George’s County will be able to match the \$35 million in State funds with the minimum \$32 million local funding commitment. Under current State requirements, Prince George’s County would have to allocate \$48.3 million in local funds in order to be eligible for \$35 million in State funds. However, due to the proposed changes to the State school construction matching requirement, Prince George’s County will only have to provide \$31.7 million in local funding to be eligible for the \$35 million in State funds. Accordingly, this bill will enable Prince George’s County to leverage \$35 million in State funds with the \$32 million in local funding required under the legislation.

Exhibit 3
Prince George’s County School Construction Proposal

State Share at \$35 million

	Current State Formula	HB 657 Proposal
Total \$35 Million Program		
State Share	\$35.0 million	\$35.0 million
Local Share	<u>\$23.3 million</u>	<u>\$11.7 million</u>
Total	\$58.3 million	\$46.7 million
Additional Local Funds for Non-eligible Costs	\$25.0 million	\$20.0 million
Total Construction Program		
State Share	\$35.0 million	\$35.0 million
Local Matching Share	<u>\$48.3 million</u>	<u>\$31.7 million</u>
Total Funding	\$83.3 million	\$66.7 million

Further, under current law school facilities can only be constructed on property owned by the county board of education. This legislation enables the Prince George's County Public School System to construct school facilities on property owned by public agencies which have a joint-use plan with the school system. This could reduce future school land acquisition costs, if the county board constructs facilities on property already owned by a public agency participating in the joint-use plan. Any such reduction cannot be reliably estimated at this time.

Information Source(s): Department of Legislative Services, Prince George's County

Fiscal Note History: First Reader - February 25, 1998
 Inc Revised - House Third Reader - April 9, 1998
 Revised - Enrolled Bill - May 11, 1998

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