

Department of Legislative Services  
Maryland General Assembly  
2001 Session

FISCAL NOTE  
Revised

Senate Bill 500 (Senator McFadden, *et al.*)

Budget and Taxation

Appropriations

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Education - Baltimore City - Public School Construction

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This bill alters the State/local cost sharing formula for public school construction projects in Baltimore City by requiring the State to fund 90% of the eligible project costs for the first \$25 million in public school construction funding allocated by the State and 75% on any funds in excess of \$25 million. Baltimore City must provide at least \$12.4 million in local funding for school construction projects in fiscal 2002 and 2003.

The bill takes effect July 1, 2001 and sunsets on June 30, 2003.

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Fiscal Summary

**State Effect:** None. Total State funding for public school construction projects in Baltimore City would not be affected, although the overall number of projects funded in a fiscal year could be reduced.

**Local Effect:** The amount of local funds in Baltimore City required to match State funding for school construction projects in Baltimore City would be reduced, resulting in fewer projects being funded. Baltimore City must provide \$12.4 million in local funding for public school construction projects in FY 2002 and FY 2003.

**Small Business Effect:** None.

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Analysis

**Current Law:** The State/local cost sharing formula for public school construction projects is based on local wealth whereby less affluent school districts receive a higher State share than more affluent school districts. The State provides from 50% to 90% of the eligible costs for approved school construction projects.

**Background:** The Board of Public Works adopted a rule on May 7, 1997 that changed the cost sharing formula for Baltimore City for fiscal 1998 through fiscal 2002. Based on the rule, the State is responsible for 90% of the eligible project costs for the first \$10 million in public school construction funding allocated by the State to Baltimore City and 75% on any funds in excess of \$10 million. After fiscal 2002, the State will be responsible for 75% of the eligible project costs for Baltimore City. The Board of Public Works rule is based on the consent decree entered in the cases that settled the school finance litigation between the State and Baltimore City in November 1996. This provision, however, was not incorporated into the Baltimore City Schools legislation (SB 795 of 1997).

Baltimore City is still responsible for paying all noneligible costs for school construction projects. Noneligible costs include architectural and engineering fees, land acquisition, certain off-site development work, movable furniture and equipment, and square footage above the State formula. Noneligible costs may account for 15% to 20% of the total cost for a school construction project. In cases where the local school project exceeds the State's square footage guidelines, noneligible costs could account for between 25% to 30% of the total cost.

In the last five years (fiscal 1997 - 2001), State funding for public school construction projects in Baltimore City has totaled \$106 million. In fiscal 2001 the State provided \$44 million in funding for Baltimore City. The proposed fiscal 2002 State budget includes \$237.5 million for public school construction projects statewide.

**Local Fiscal Effect:** This bill enables Baltimore City to leverage State school construction funding with a smaller local contribution. While this would reduce Baltimore City's local matching requirement, fewer school construction projects in Baltimore City could be funded.

**Exhibit 1** shows the effect of the change in the State/local cost sharing arrangement if Baltimore City receives \$44 million in State funding for school construction projects, the amount the city received in fiscal 2001. Under current law Baltimore City would have to provide \$12.4 million in local funding to pay for eligible project costs in order to receive \$44 million in State funds. Pursuant to this legislation, Baltimore City will only have to provide \$9.1 million in local funding for eligible project costs to receive \$44 million in State funds. This results in a \$3.3 million savings for Baltimore City. When potential noneligible costs are included, Baltimore City expenditures could decrease by \$3.9 million. According to the Interagency Committee on School Construction, this may eliminate funding for approximately ten projects in Baltimore City.

**Exhibit 1**  
**Proposed State/Local Cost Sharing Arrangement – Baltimore City**  
**State Share at \$44 million**

	<b>Current Law</b>	<b>SB 500</b>
<b>First \$25 million in State Funds</b>		
State Share	\$25.0 million	\$25.0 million
Local Share	6.1 million	2.8 million
<b>Next \$19 million in State Funds</b>		
State Share	19.0 million	19.0 million
Local Share	6.3 million	6.3 million
<b>Total Eligible Costs</b>	<b>\$56.4 million</b>	<b>\$53.1 million</b>
<b>Potential Non Eligible Costs</b>	<b>\$10.0 million</b>	<b>\$9.4 million</b>
<b>Total Construction Program</b>		
State Share	\$44.0 million	\$44.0 million
Local Share	\$22.4 million	\$18.5 million
<b>Total</b>	<b>\$66.4 million</b>	<b>\$62.5 million</b>

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 894 (Delegate Marriott, *et al.*) – Appropriations.

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

**Fiscal Note History:** First Reader – February 18, 2001  
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