

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

House Bill 1408

(Delegate Dembrow, *et al.*)

Appropriations

Education - State Payments for Public School Construction and Improvements

This bill establishes a statewide maximum per pupil square foot (area) allowance for public school construction projects of: (1) 125 square feet for elementary schools; (2) 135 square feet for middle schools; and (3) 170 square feet for high schools. The bill also sets maximum percentages for the State contribution to public school renovation projects based on the age of a public school building. The following table shows the cost sharing arrangement as specified under this bill.

Building's Age	Under 16 Years	16 to 25 Years	26 to 39 Years	Over 39 Years
State Share	0%	75%	85%	100%

The bill requires all existing areas or structures of a school building that must be renovated to be included in the maximum State construction allocation, regardless of how long the structure has existed.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: Total State funding for public school construction projects would not be affected. Instead, the overall number of projects funded in a fiscal year would be reduced. The proposed FY 2002 State budget includes \$237.5 million for public school construction projects statewide.

Local Effect: Changing the required State funding would reduce the amount of local funds needed for certain school construction and renovation projects.

Small Business Effect: None.

Analysis

Current Law: The Board of Public Works sets the maximum per pupil area allowance for public school construction projects and the maximum percentages for the State contribution to public school renovation projects.

Background: The Interagency Committee on School Construction (IAC) administers Maryland's public school construction program. The Interagency Committee is comprised of State officials from the Board of Public Works, the Maryland State Department of Education, the Department of General Services, and the Maryland Office of Planning. Local school systems submit their capital funding requests to the Interagency Committee. After reviewing the submissions, the Interagency Committee makes recommendations to the Board of Public Works.

The State provides from 50% to 90% of the eligible costs for approved school construction projects, depending upon the wealth of the local school systems whereby less affluent school systems receive a higher State share. **Exhibit 1** shows the State share allocation for each local school system.

Exhibit 1 State/Local Cost Share Amounts

<u>50/50</u>	<u>55/45</u>	<u>60/40</u>	<u>65/35</u>	<u>70/30</u>	<u>75/25</u>	<u>80/20</u>
Anne Arundel Baltimore County Howard Kent Montgomery Talbot Worcester	Calvert Queen Anne's	Prince George's ¹	Carroll Charles Frederick Harford Washington	Cecil Dorchester Garrett St. Mary's Wicomico	Allegany Baltimore City ² Caroline	Somerset

Notes:

¹ For fiscal 1999 through 2002, Prince George's County's match will be 25.0% for the first \$35 million allocated by the State and 40.0% on any State funds in excess of \$35 million. At least \$20 million of the State funds must be spent each year on neighborhood school projects.

² For fiscal 1998 through 2002, Baltimore City's match will be 10.0% for the first \$10 million allocated by the State and 25.0% on any State funds in excess of \$10 million.

The remaining eligible costs and 100% of noneligible costs are paid by the local school systems. These costs are referred to as local matching funds. 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 25% to 30% of the total cost.

The ability to meet the local matching requirement for State school construction funds has been a concern for some less affluent jurisdictions which are having difficulty providing sufficient local funds to qualify for State funds.

In the last four years (fiscal 1997 through fiscal 2000), State funding for public school construction projects has totaled over \$1 billion. In fiscal 2001 the State funded 79% of the local school systems' requests and eight local school systems received more State funding than they requested. The proposed fiscal 2002 State budget includes \$237.5 million for public school construction projects.

State Fiscal Effect: Under current regulations, the State share for school construction projects is based on the maximum per pupil square foot allowance, the average building cost per square foot, a contingency fee, and the State/local cost share amount. The per square foot cost allowance for building and site work adopted by the Interagency Committee on School Construction totals \$136.64 for fiscal 2002. The per pupil square foot allowance for school construction projects totals 95 square feet at elementary schools serving 528 to 720 students, 115 square feet at middle schools serving 627 to 1,000 students, and 130 square feet at high schools serving 701 to 1,500 students. The estimated contingency fee is set at 2.5%.

Pursuant to this bill, the statewide maximum per pupil square foot (area) allowance increases to 125 square feet for elementary schools, 135 square feet for middle schools, and 170 square feet for high schools. **Exhibit 2** shows the potential increase in State school construction costs due to the increased maximum per pupil square foot allowance as provided in this bill.

Exhibit 2
Potential Increase in State Costs From Increased Per Pupil Square Foot Allowance

	Elementary School	Middle School	High School
Students	600	900	1,200
Sq. Ft. Allowance – Current	95 sq. ft.	115 sq. ft.	130 sq. ft.
Sq. Ft. Allowance – HB 1408	125 sq. ft.	135 sq. ft.	170 sq. ft.
Total Area – Current	57,000 sq. ft.	103,500 sq. ft.	156,000 sq. ft.
Total Area – HB 1408	75,000 sq. ft.	121,500 sq. ft.	204,000 sq. ft.
Cost per Sq. Ft.	\$136.64	\$136.64	\$136.64
 Total Costs* – Current	 \$8.0 million	 \$14.5 million	 \$21.8 million
Total Costs* – HB 1408	\$10.5 million	\$17.0 million	\$28.6 million
 50% State Share - Current	 \$4.0 million	 \$7.2 million	 \$10.9 million
50% State Share – HB 1408	\$5.3 million	\$8.5 million	\$14.3 million
Increased State Costs	\$1.3 million	\$1.3 million	\$3.4 million
 75% State Share – Current	 \$6.0 million	 \$10.9 million	 \$16.4 million
75% State Share – HB 1408	\$7.9 million	\$12.8 million	\$21.4 million
Increased State Costs	\$1.9 million	\$1.9 million	\$5.0 million

**Includes 2.5% contingency fee.*

In addition, this bill increases the State contribution for some public school renovation projects. Under current regulations, the State covers only a portion of the maximum State allocation for renovation projects in that a typical renovation project will not result in the same costs as a new project. **Exhibit 3** shows the specified percentages for renovation projects under current regulations and under this bill.

Exhibit 3
Specified Percentage of Renovation Costs Eligible for State Funding

Building's Age	Under 16 Years	16 to 20 Years	21 to 25 Years	26 to 30 Years	31 to 39 Years	Over 39 Years
Current Regulations	0%	50%	65%	75%	85%	100%
HB 1408	0%	75%	75%	85%	85%	100%

For example, assume a local school system renovates an existing 60,000 square foot school building constructed in 1982 (school building is 19 years old). Based on a 50%

State/local cost share amount, the State share for the project would total \$2 million. Pursuant to this bill, the State cost would total \$3 million, resulting in a \$1 million increase in State expenditures. Based on a 75% State/local cost share amount, the State share for the project under current regulations would total \$2.9 million. Pursuant to this bill, the State cost would total \$4.4 million, resulting in a \$1.5 million increase in State expenditures. The actual increase in State costs per project would depend upon the age of the school building, the local school system, and the overall cost of the renovation project.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mld/jr

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