

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**  
**Revised**

House Bill 634 (Prince George's County Delegation)  
Appropriations

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**Prince George's County - Public School Construction - Funding PG 410-02**

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This bill increases from \$35 million to \$50 million the amount of public school construction funding that the State must provide to Prince George's County. The State/local cost sharing formula for public school construction projects in Prince George's County is altered by requiring the State to fund 75% of the eligible project costs for the first \$50 million in public school construction funding allocated by the State and 60% on any funds in excess of \$50 million.

The bill takes effect June 1, 2002.

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**Fiscal Summary**

**State Effect:** The FY 2003 State budget includes \$146.0 million for new public school construction projects. Providing Prince George's County with \$50 million in school construction funding would account for 36% of total State funding. State funding for other local school systems would decrease.

**Local Effect:** State funding for school construction projects in Prince George's County could increase, whereas funding to other local school systems could decrease. The amount of local funds that Prince George's County must use to match State funding for school construction projects would be reduced resulting in fewer projects being funded.

**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. In Prince George's County for fiscal 2003, the State provides 75% of the eligible costs for the first \$35 million in public school construction costs and 60% of the eligible costs in excess of \$35 million. Beginning in fiscal 2004, the State will provide Prince George's County with 60% of the eligible costs for school construction projects.

**Background:** Legislation enacted in 1998, Chapter 704, altered the State/local cost sharing formula for public school construction projects in Prince George's County by requiring the State to fund 75% of the eligible project costs for the first \$35 million in public school construction funding allocated by the State and 60% on any funds in excess of \$35 million. Under the then existing cost share arrangement, the State was responsible for 60% of eligible project costs. In addition, the legislation required the State to provide Prince George's County with \$35 million each year in school construction funding for fiscal 1999 through fiscal 2002, contingent on future economic conditions. Prince George's County must provide at least \$32 million for school construction projects.

Legislation enacted in 2001, Chapter 420, extended the current State/local cost share arrangement and the required \$35 million State appropriation for school construction projects for Prince George's County until fiscal 2003. **Exhibit 1** shows the amount of State funding for public school construction projects in Prince George's County from fiscal 1998 to fiscal 2002. For the last five years, Prince George's County has received approximately 15% of the total State funding for school construction. For comparison purposes, Prince George's County accounts for approximately 15.7% of total public school students.

**Exhibit 1**  
**State School Construction Funding to Prince George's County**  
**(\$ in millions)**

	<b><u>FY 1998</u></b>	<b><u>FY 1999</u></b>	<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>
Amount of State Funding	\$20.3	\$35.0	\$39.5	\$44.9	\$44.4
Percent of Total State Funding	13.5%	15.6%	15.3%	15.4%	15.5%

### *Public School Construction Funding in Fiscal 2003*

The fiscal 2003 State budget includes \$245.5 million for public school construction projects, \$6 million of which is from unspent funds in fiscal 2002. Of this amount, \$146.0 million is for new school construction projects to be awarded in fiscal 2003, \$89.0 million is for previously funded PAYGO projects already awarded, and \$10.5 million is for federal funded projects. Local school systems have requested \$309.9 million in funding for school construction projects in fiscal 2003. This amount is \$163.9 million more than provided in the fiscal 2003 State budget for new school construction projects. The Interagency Committee on School Construction (IAC) has already allocated \$110.4 million or 75% of the available new funding for school construction projects for fiscal 2003. An additional \$35.6 million in State funding remains to be allocated to local school systems. Prince George's County has requested \$49.3 million and has been allocated \$12.3 million. The school system has appealed the allocation and has requested an additional \$37.5 million in State funding for fiscal 2003.

### *Noneligible Project Costs*

Prince George's County 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.

**Local Fiscal Effect:** Under current law, the State must provide Prince George's County with \$35 million in funding for school construction projects contingent on the State's economic condition. Pursuant to this bill, the State must provide Prince George's County with \$50 million in funding for school construction projects contingent on the State's economic condition.

Prince George's County is scheduled to receive \$12.3 million in State funding for public school construction projects in fiscal 2003. This amount is \$37.6 million less than required under HB 634 and \$22.6 million less than currently required. The IAC advises that only \$35.6 million in State school construction funding has not been allocated for fiscal 2003. Providing Prince George's County with \$50 million in school construction funding in fiscal 2003 would require the State to provide the county with 100% of the unallocated funds, plus \$2.1 million not included in the fiscal 2003 budget. Since the current \$35 million statutory funding level for Prince George's County is contingent on future economic conditions, there is no guarantee that Prince George's County will

receive \$35 million in school construction funding in fiscal 2003 much less the \$50 million required under this bill.

In addition, this bill enables Prince George’s County to leverage additional State school construction funding with a smaller local contribution. While this would reduce Prince George’s County’s local matching requirement, fewer school construction projects in Prince George’s County could be funded. **Exhibit 2** shows the effect of the change in the State/local cost sharing arrangement if Prince George’s County receives \$50 million in State funding for school construction projects. Under current law Prince George’s County would have to provide \$21.7 million in local funding to pay for eligible project costs in order to receive \$50 million in State funds. Pursuant to this legislation, Prince George’s County will only have to provide \$16.7 million in local funding for eligible project costs to receive \$50 million in State funds. This results in a \$5 million savings for Prince George’s County. When potential noneligible costs are included, Prince George’s County expenditures could decrease by \$5.9 million.

**Exhibit 2**  
**Proposed State/Local Cost Sharing Arrangement – Prince George’s County**  
**State Share at \$50 million**

	<b>Current Law</b>	<b>HB 634</b>
State Share	\$50.0 million	\$50.0 million
Local Share	21.7 million	16.7 million
<b>Total Eligible Costs</b>	<b>\$71.7 million</b>	<b>\$66.7 million</b>
<b>Potential Noneligible Costs</b>	<b>12.6 million</b>	<b>11.8 million</b>
<b>Total Construction Program</b>		
State Share	50.0 million	50.0 million
Local Share	34.3 million	28.4 million
<b>Total</b>	<b>\$84.3 million</b>	<b>\$78.4 million</b>

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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