

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

**FISCAL NOTE**  
**Revised**

House Bill 937  
Appropriations

(Delegates Busch and Rudolph)

Budget and Taxation

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**Education - Public School Facilities**

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This bill establishes a 21-member Task Force to Study Public School Facilities. The task force must be appointed and begin its deliberations by June 1, 2002 and submit a report of its findings and recommendations to the Governor and the General Assembly by December 31, 2002. The task force terminates on December 31, 2002. The Interagency Committee on School Construction (IAC), the Maryland State Department of Education (MSDE), the Department of Budget and Management (DBM), and the Department of Legislative Services (DLS) must provide staff support for the task force.

In addition, the bill establishes a new method for allocating funding under the Aging Schools Program by basing the allocation on each local school system's proportionate share of school facilities square footage constructed before 1960.

The bill takes effect June 1, 2002.

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**Fiscal Summary**

**State Effect:** None. Any expense reimbursements for task force members and staffing costs for IAC, MSDE, DBM, and DLS are assumed to be minimal and absorbable within existing budgeted resources. State funding for the Aging Schools Program would remain the same.

**Local Effect:** Seven local school systems would receive additional funding under the Aging Schools Program and 17 local school systems would realize a reduction in funding beginning in FY 2003.

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary:** The Task Force to Study Public School Facilities must review, evaluate, and make findings and recommendations regarding the following issues relating to the State's public school construction program:

- (1) whether public school facilities are adequate to support programs funded through an adequate operating budget as proposed by the Commission on Education Finance, Equity, and Excellence in its January 2002 Final Report;
- (2) the equity of the State's public school construction program, particularly the equity of the State and local cost shares for school construction projects;
- (3) whether the Aging Schools Program should be continued as a permanent program;
- (4) whether the State should provide a greater share of eligible costs for schools with 50% or more of its students eligible for free and reduced price meals, small schools constructed or renovated in a priority funding area; and schools in qualified distressed counties; and
- (5) any other matter that the task force determines to be relevant to an evaluation of the adequacy and equity of the State's public school construction program.

**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. **Exhibit 1** shows the State share allocation for each local school system.

**Exhibit 1**  
**State/Local Cost Share Amounts**

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<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 <sup>1</sup>	Carroll Charles Frederick Harford Washington	Cecil Dorchester Garrett St. Mary's Wicomico	Allegany Baltimore City <sup>2</sup> Caroline	Somerset

Notes:

<sup>1</sup> For fiscal 2003, Prince George's County's State match will be 75% for the first \$35 million allocated by the State and 60% 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.

<sup>2</sup> For fiscal 2003, Baltimore City's State match will be 90% for the first \$20 million allocated by the State and 75.0% on any State funds in excess of \$20 million.

The Aging Schools Program provides funding to local school systems for the improvements, repairs, and deferred maintenance of public school buildings exceeding 15 years of age. Each school system's share of the total funding is generally consistent with the school system's share of school building square footage constructed prior to 1960. However, the current distribution includes a minimum funding level for local school systems and a cap for Baltimore City.

**Background:** The Aging Schools Program provides \$10.37 million to local school systems for school repairs generally not covered by the capital school construction program that are necessary to maintain older schools. The program's allocation is specified under the Baltimore City Schools legislation and Section 5-206 of the Education Article.

Each school system's dollar share of the \$4.3 million required under Chapter 105 of 1997 (the Baltimore City Schools legislation) is specified in that legislation. The allocation is based generally on the proportion of pre-1960 school building square footage each school system has in the State; however, the legislation includes no provision for updating each county's allocation based on changes in the square footage data. Baltimore City receives minimal funding (\$120,000) in recognition of the partnership funding provided the city under Chapter 105.

Each school system's dollar share of the \$6.0 million required under Section 5-206 of the Education Article is specified in the statute. The allocation is based on an adjusted square footage which recognizes renovations completed after the original construction

date or additions which were subsequently renovated; however, the statute includes no provision for updating each county's allocation based on changes in the square footage data.

**Local Fiscal Effect:** Pursuant to this legislation, funding for the Aging Schools Program would be based on each local school system's share of school facilities square footage constructed prior to 1960. Baltimore City and Prince George's County are the primary beneficiaries of this allocation change. As shown in **Exhibit 2**, seven local school systems receive an increase in State funding, while 17 local school systems receive a decrease. Three local school systems (Charles, Dorchester, and Somerset counties) would not receive any funding under the new allocation method.

**Additional Comments:** In recent years, the State has established a special funding arrangement for public school construction projects in Baltimore City and Prince George's County.

#### *Baltimore City Provision*

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 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. 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). Chapter 280 of 2001 extended the special funding arrangement into fiscal 2003 by requiring the State to fund 90% of the eligible project costs for the first \$20 million in public school construction funding allocated by the State and 75% on any funds in excess of \$20 million. After fiscal 2003, the State will be responsible for 75% of the eligible project costs for Baltimore City.

#### *Prince George's County Provision*

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 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 had to provide at least \$32 million for school construction projects.

**Exhibit 2**  
**Aging Schools Program Allocation Based on HB 937**

<u>County</u>	<u>Current Allocation</u>	<u>Pre 1960 Square Footage As of 2/2002</u>	<u>Proposed Allocation</u>	<u>Difference Over Current Allocation</u>
Allegany	\$355,000	186,542	\$206,705	-\$148,295
Anne Arundel	570,000	595,241	659,580	89,580
Baltimore City	1,635,000	2,992,634	3,316,106	1,681,106
Baltimore	2,940,000	2,405,752	2,665,788	-274,212
Calvert	65,000	54,925	60,862	-4,138
Caroline	85,000	79,483	88,074	3,074
Carroll	385,000	250,886	278,004	-106,996
Cecil	355,000	160,535	177,887	-177,113
Charles	65,000	0	0	-65,000
Dorchester	65,000	0	0	-65,000
Frederick	85,000	95,493	105,815	20,815
Garrett	85,000	56,738	62,871	-22,129
Harford	400,000	347,210	384,740	-15,260
Howard	65,000	22,500	24,932	-40,068
Kent	65,000	48,412	53,645	-11,355
Montgomery	1,170,000	231,311	256,313	-913,687
Prince George's	970,000	1,173,785	1,300,659	330,659
Queen Anne's	85,000	29,400	32,578	-52,422
St. Mary's	85,000	137,377	152,226	67,226
Somerset	65,000	0	0	-65,000
Talbot	155,000	97,306	107,824	-47,176
Washington	200,000	249,704	276,694	76,694
Wicomico	355,000	134,514	149,054	-205,946
Worcester	<u>65,000</u>	<u>8,702</u>	<u>9,643</u>	<u>-55,357</u>
<b>Total</b>	<b>\$10,370,000</b>	<b>9,358,450</b>	<b>\$10,370,000</b>	<b>\$0</b>

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.

#### *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. 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.

#### *Noneligible Project Costs*

Local school systems are 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.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education, Public School Construction Program, Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2002  
ncs/cer Revised - House Third Reader - April 2, 2002  
Revised Enrolled Bill - April 17, 2002

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