

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1119 (Delegate Rudolph)
Appropriations

Public School Construction - Small Community School Preservation Program

This bill requires the State to provide a bonus to local school systems that build a “small school” or a “smaller learning community” in a priority funding area or renovate an existing school building in a priority funding area such that the school becomes a small school or a smaller learning community. The bonus equals up to 10% of the school construction costs for the project in addition to the maximum State construction allocation for the project.

The bill takes effect on July 1, 2002.

Fiscal Summary

State Effect: The FY 2003 State budget includes \$146.0 million for new public school construction projects. Total State funding for public school construction projects would not be affected; however, the increased State costs for individual projects resulting from the bill could reduce the overall number of projects funded in a fiscal year.

Local Effect: The increased State funding would reduce the amount of local funds needed for these school construction projects. Establishing smaller public schools could increase local school expenditures for land acquisition, maintenance, and utilities.

Small Business Effect: None.

Analysis

Bill Summary: A smaller learning community means a small school that exists within a larger cohesive entity or campus and is developed and operated as a separate entity. A

small school means an elementary or middle school that accommodates between 300 and 400 students or a secondary school that accommodates between 400 and 800 students.

Current Law: Local boards of education establish public schools to meet the needs of the community. Student enrollment at each public school is decided at the local level.

Background: The Interagency Committee on School Construction (IAC) administers Maryland's public school construction program. The Interagency Committee is composed 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. 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. Some jurisdictions are having difficulty providing sufficient local funds to qualify for State funds.

Construction, Land Acquisition, Maintenance, and Utility Costs

Building smaller public schools could increase both construction costs and local school expenditures for land acquisition, maintenance, and utilities. For example, constructing three elementary schools that serve 400 students is more expensive than constructing two elementary schools that serve 600 students, even though the same aggregate number of students is being served. Based on State guidelines, three elementary schools that accommodate a total of 1,200 students would require an additional 12,000 square feet of space at a total cost of \$1.8 million. The three school buildings would require 42 acres of land compared to 32 acres for two school buildings. In addition, utility and maintenance costs could increase by \$24,000 annually, which is based on a \$2 cost per square foot.

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 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.

Public School Size

The following information on school size is for the 1999-2000 school year. The size of public schools varies considerably across the State and within school districts. Most elementary schools in Maryland enroll 400 to 800 students. About 221 elementary schools in the State have 400 or fewer students and 29 elementary schools have over 800 students. All elementary schools in Kent County have enrollment below 400 students. Calvert and Caroline counties have no elementary schools with less than 400 students. Ten local school systems have elementary schools with over 800 students and four school systems (Baltimore City and Harford, Prince George's, and Wicomico counties) have elementary schools with over 1,000 students.

The majority of middle schools in Maryland enroll 601 to 1,000 students. However, at least one-half of middle schools in six local school systems enroll 600 or fewer students. These school systems include Caroline, Cecil, Garrett, Kent, Queen Anne's, and Somerset counties. Nine local school systems have middle schools with over 1,000 students. In Harford County, six of the school system's eight middle schools have over 1,000 students enrolled.

Most public high schools in Maryland enroll 1,000 to 2,000 students. Five local school systems (Anne Arundel, Baltimore City, Carroll, Montgomery, and Prince George's) have high schools with over 2,000 students and Prince George's County has one high school with over 3,000 students. There are 22 public high schools with an enrollment below 800 students, many of which are located in rural counties. For example, the two high schools in Somerset County have less than 500 students. In Worcester County, two of the three high schools have less than 500 students with the other high school enrolling over 1,200 students.

Nationwide Perspective on School Size

According to a report by the Education Commission of the States, students from smaller schools have better attendance rates, and when students move from large schools to smaller ones their attendance improves. Smaller schools also have lower dropout rates and fewer discipline problems. While there is no agreement about what school size is ideal, many researchers have concluded that no school should serve more than 1,000 students and that elementary schools should not exceed 300 to 400 students. The following are several findings from academic research on school size:

- behavioral problems are much greater in larger schools and that any benefit of a larger school size is canceled out by the difficulties of maintaining an orderly learning environment;
- smaller schools tend to have fewer incidents of violence and vandalism;
- students from smaller schools tend to have a closer connection with adults thereby making these students less likely to “fall through the cracks;”
- a larger school size does not translate into more extracurricular participation among students -- students from smaller schools are more likely to be involved in extracurricular activities and hold positions of responsibility in those activities; and
- large schools are more expensive to operate because their sheer size requires more administrative support.

State and Local Fiscal Effect: The number of school construction projects that could be eligible for additional State funding under this bill is not known. The actual impact depends on the capital funding requests from local school systems and whether the local projects are within a priority funding area. For illustrative purposes, a 10% bonus for a new elementary school could range from \$322,400 to \$515,900 and the 10% bonus for a new high school could range from \$798,400 to \$1.3 million. **Exhibit 1** shows the potential 10% State bonus for school construction projects in local school systems with a 50% State share of eligible costs and an 80% State share. **Exhibit 2** shows the State share allocation for each local school system.

The per square foot cost allowance for building and site work adopted by the Interagency Committee on School Construction totals \$149.80 for fiscal 2003. The per pupil square foot allocation for school construction projects totals 105 square feet at elementary schools, 120 square feet at middle schools, and 130 square feet at high schools. The estimated contingency fee is set at 2.5%.

**Exhibit 1
Potential State Costs for 10% Bonus**

	Elementary School	Middle School	High School
Students	400	400	800
Sq. Ft. Allowance	105 sq. ft.	120 sq. ft.	130 sq. ft.
Total Area	42,000 sq. ft.	48,000 sq. ft.	104,000 sq. ft.
Cost per Sq. Ft.	\$149.80	\$149.80	\$149.80
Total Costs	\$6,291,600	\$7,190,400	\$15,579,200
With 2.5% Contingency Fee	\$6,448,890	\$7,370,160	\$15,968,680
State Share at 50%	\$3,224,445	\$3,685,080	\$7,984,340
10% Bonus	\$322,445	\$368,508	\$798,434
State Share at 80%	\$5,159,112	\$5,896,128	\$12,774,944
10% Bonus	\$515,911	\$589,613	\$1,277,494

**Exhibit 2
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 2003, Prince George's County's match will be 25% for the first \$35 million allocated by the State and 40% 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 2003, Baltimore City's match will be 10% for the first \$20 million allocated by the State and 25.0% on any State funds in excess of \$20 million.

Source: Department of Legislative Services

Additional Comments: At the 1997 session, the General Assembly passed the Smart Growth legislation that targets State funding for certain transportation, economic development, housing, community development, environmental, and procurement projects to designated priority funding areas. The Smart Growth legislation established certain areas as priority funding areas and allowed counties to designate additional areas if they meet specified requirements for use, water and sewer service, and residential density. **Exhibit 3** lists the areas initially established as priority funding areas and areas eligible for county designation.

Exhibit 3
Smart Growth – Priority Funding Areas

Areas Initially Established	Areas Eligible for County Designation
Municipalities	Areas with industrial zoning
Baltimore City	Areas with employment as the principal use, which are provided with or planned for sewer service
Areas inside the Baltimore and Washington Beltways	
Revitalization Areas designated by the Department of Housing and Community Development	Residential areas which have an average density of two or more units per acre, are within designated growth areas, are designated growth areas, and are served by water or sewer systems
Enterprise Zones	
Heritage Areas	
	Rural Villages
	Other areas within county designated growth areas

Source: Maryland Office of Planning

Additional Information

Prior Introductions: A similar bill was introduced at the 2001 session as HB 1328. The bill received an unfavorable report from the House Appropriations Committee.

Cross File: None.

Information Source(s): Interagency Committee on School Construction, Maryland State Department of Education, Education Commission of the States, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2002
ncs/cer

Analysis by: Hiram L. Burch Jr.

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510