

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 498

(Senators Hogan and McFadden)

(Task Force to Study Public School Facilities)

Budget and Taxation

Appropriations

Public School Facilities

This bill repeals the termination date on the Aging Schools Program and continues the current distribution of \$10.37 million in funding to local school systems beyond fiscal 2004. The scope of a local school system's comprehensive master plan is expanded to include the impact of the proposed goals, objectives, and implementation strategies on public school facilities and capital improvements that may be needed to implement the plan. The special State funding arrangement for school construction projects in Baltimore City is extended through fiscal 2005 and the minimum amount of local funds that Baltimore City must appropriate for school construction is increased from \$12.4 million to \$16.0 million for fiscal 2004 and 2005.

The bill also increases the membership on the Task Force to Study Public School Facilities from 21 to 23 members with the two additional members being the Secretary of Planning or the Secretary's designee and an individual with experience as a director of a state school construction program. The task force's final reporting date is extended until December 31, 2003 and its termination date is extended until May 1, 2004. The scope of the task force is expanded to include: whether the current allocation of the Aging Schools Program should be modified; and whether the State should provide a greater share of eligible school construction costs for schools with 50% or more of the students eligible for free and reduced price meals, small schools constructed or renovated in a priority funding area, and schools in qualified distressed counties.

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: General fund expenditures would be maintained for the Aging Schools Program beyond FY 2004. The FY 2004 budget appropriation for the Aging Schools Program is \$10.37 million. Revenues would not be affected.

Local Effect: Local school systems would continue to receive \$10.37 million in funding under the Aging Schools Program. Baltimore City mandated expenditures for school construction would increase by \$3.6 million in FY 2004 and 2005. Other local school expenditures would not be directly affected.

Small Business Effect: None.

Analysis

Current Law: The Aging Schools Program is scheduled to terminate at the end of fiscal 2004. Local boards of education must develop and implement a comprehensive master plan that describes the goals, objectives, and strategies that will be used to improve student achievement and meet State performance standards and local performance standards in each segment of the student population. The special State funding arrangement for school construction projects in Baltimore City is scheduled to terminate at the end of fiscal 2004. The 21-member Task Force to Study Public School Facilities must submit its final report by December 31, 2002. The task force terminates on December 31, 2002.

Background: This bill encompasses four issues: (1) the Aging Schools Program; (2) the comprehensive master plan of local boards of education; (3) the special funding arrangement for public school construction in Baltimore City; and (4) the Task Force to Study Public School Facilities.

Aging Schools Program

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 public schools that exceed 15 years of age. Eligible program expenditures include asbestos and lead paint abatement; fire protection systems and equipment; painting; plumbing; roofing; heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; prekindergarten facilities; and renovation projects related to education programs and services.

The program's allocation is specified under Section 5-206 of the Education Article. Each local school system's share of the total funding is generally consistent with the local 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.

The current funding amount was previously specified in two separate Acts: \$4.3 million under Chapter 105 of 1997 and \$6 million under Chapter 565 of 1998. Each local school system's share of the \$4.3 million allocation is based generally on the proportion of pre-1960 school building square footage each local school system had in the State; however, the statute included 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 local school system's share of the \$6.0 million allocation is based on an adjusted square footage that recognized renovations completed after the original construction date or additions that were subsequently renovated; however, the statute included no provision for updating each county's allocation based on changes in the square footage data.

State funding for the program was originally set to terminate after fiscal 2002 but was extended until fiscal 2003 by Chapter 420 of 2001 and until 2004 by Chapter 288 of 2002. **Exhibit 1** provides the funding distribution for each local school system.

At the 2002 Session, the General Assembly approved HB 937 that repealed the termination date for the Aging Schools Program and altered the allocation method for distributing State funding. The Governor vetoed the legislation.

The proposed allocation method based funding on each local school system's proportionate share of school facilities square footage constructed before 1960. Seven local school systems would have received additional funding under the new method and 17 local school systems would have realized a reduction in funding beginning in fiscal 2003. Baltimore City and Prince George's County would have received the largest funding increase; whereas, Montgomery, Baltimore, and Wicomico counties would have realized the largest decrease.

**Exhibit 1
Aging Schools Program
Fiscal 2004**

<u>County</u>	<u>Ch. 105 of 1997 Funding</u>	<u>Ch. 565 of 1998 Funding</u>	<u>Total</u>
Allegany	\$150,000	\$205,000	\$355,000
Anne Arundel	240,000	330,000	570,000
Baltimore City	120,000	1,515,000	1,635,000
Baltimore	1,750,000	1,190,000	2,940,000
Calvert	25,000	40,000	65,000
Caroline	35,000	50,000	85,000
Carroll	180,000	205,000	385,000
Cecil	150,000	205,000	355,000
Charles	25,000	40,000	65,000
Dorchester	25,000	40,000	65,000
Frederick	35,000	50,000	85,000
Garrett	35,000	50,000	85,000
Harford	180,000	220,000	400,000
Howard	25,000	40,000	65,000
Kent	25,000	40,000	65,000
Montgomery	510,000	660,000	1,170,000
Prince George's	420,000	550,000	970,000
Queen Anne's	35,000	50,000	85,000
St. Mary's	35,000	50,000	85,000
Somerset	25,000	40,000	65,000
Talbot	60,000	95,000	155,000
Washington	90,000	110,000	200,000
Wicomico	150,000	205,000	355,000
Worcester	25,000	40,000	65,000
Total	\$4,350,000	\$6,020,000	\$10,370,000

Source: Department of Legislative Services

Comprehensive Master Plan

Local boards of education must develop and implement a comprehensive master plan that describes the goals, objectives, and strategies that will be used to improve student achievement and meet State performance standards and local performance standards in

each segment of the student population. These plans must be submitted to the Maryland State Department of Education by October 1, 2003. The plan must extend for a five-year period beginning with the 2003-2004 school year and be updated annually by July 1 of each year.

The comprehensive master plan must include: (1) the goals and objectives regarding student performance that are aligned with State performance standards and local performance standards; (2) implementation strategies for meeting goals and objectives; (3) methods for measuring progress towards meeting goals and objectives; (4) time lines for implementation of the strategies for meeting goals and objectives; (5) time lines for meeting goals and objectives; (6) a description of the alignment of the county board's budget with goals, objectives, and strategies for improving student achievement; and (7) any other information required by the State Superintendent.

Special Funding Arrangements for Public School Construction

The Interagency Committee on School Construction and the Board of Public Works (BPW) generally decides the amount of State funds allocated each year for public school construction projects in a particular county. The extent to which the State shares in the cost of school construction projects in a particular county is generally determined by rules and regulations promulgated by BPW. However, legislation enacted in 1998 and 2001 established a special funding arrangement for school construction projects in Baltimore City and Prince George's County until the end of fiscal 2003. Chapter 288 of 2002 extended the special funding arrangement for Baltimore City and Prince George's County through fiscal 2004; however, Chapter 289 of 2002 extended the special funding arrangement for Prince George's County through fiscal 2007.

BPW 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. BPW's 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 through 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. Chapter 288 of 2002 extended the special funding through fiscal 2004. In addition, Baltimore City must provide at least \$12.4 million in local funds for school construction.

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 in fiscal 1999 through 2002 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 2002, contingent on future economic conditions. Prince George's County had to provide at least \$32 million for school construction projects. Chapter 420 of 2001 extended the special funding arrangement through fiscal 2003. Chapter 288 of 2002 extended the special funding arrangement through fiscal 2004; however, Chapter 289 of 2002 extended the arrangement through fiscal 2007. Chapter 289 altered the special funding arrangement by requiring the State to cover 65% of any funds in excess of \$35 million instead of 60%.

Task Force to Study Public School Facilities

The Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) established a 21-member Task Force to Study Public School Facilities. The Act directs the task force to look at whether the State's school facilities are adequate to sustain programs supported by the Commission on Education Finance, Equity, and Excellence's proposed funding levels (and ultimately enacted in Chapter 288). The Act also directs the task force to examine the equity of the State's school construction program, particularly the equity of the State and local cost shares for school construction projects; whether to continue the Aging School Program as a permanent program; and any other issues the task force determines are relevant to evaluate the adequacy and equity of the State's school construction program. Additionally, the Governor, in his veto letter on House Bill 937, requested the task force to look at the allocation of school construction funding to schools with 50% or more of their students eligible for free and reduced price meals; small schools constructed or renovated in priority funding areas; and schools in qualified distressed counties.

The State Treasurer was appointed chair of the task force, which began meeting in August 2002 shortly after its appointment. The Bridge to Excellence in Public Schools Act required the task force to submit a final report of its findings and recommendations to the Governor and the General Assembly by December 31, 2002. However, faced with the difficult tasks of defining adequacy and seeking equity in school construction in a time of budget deficits, the task force submitted a preliminary report in December and requested an extension of its mandate into 2003.

State and Local Fiscal Effect: State funding for the Aging Schools Program would be maintained beyond fiscal 2004. The fiscal 2004 budget allowance includes \$10.37

million for the program. These funds go to local school systems for school repairs generally not covered by the capital school construction program that are necessary to maintain public schools that exceed 15 years of age.

Total State funding for public school construction projects in Baltimore City or other local school systems would not be affected by the one-year extension of the special funding arrangement. The special funding arrangement 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. However, pursuant to this legislation, the minimum amount of local funds that Baltimore City must appropriate for school construction is increased from \$12.4 million to \$16.0 million. This results in a \$3.6 million increase in local mandated expenditures for school construction in Baltimore City.

Any expense reimbursements for the two additional task force members are assumed to be minimal and absorbable within existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: HB 667 (Delegate Hixson, *et al.*) – Appropriations.

Information Source(s): Maryland State Department of Education, Department of Planning, Department of Legislative Services

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