

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 413 (Senator McFadden)
(By Request – Baltimore City Administration)

Budget and Taxation

Appropriations

Baltimore City - Education - Public School Facilities

This bill extends for two additional years the termination date on the enhanced State share of eligible public school construction costs for Baltimore City. Through fiscal 2007, Baltimore City will continue to receive 90% of eligible school construction costs from the State for the first \$20 million provided by the State. Funds in excess of \$20 million are shared 75% State and 25% Baltimore City.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: Funding for Baltimore City public school construction would continue under the current framework. Revenues would not be affected.

Local Effect: Baltimore City would continue to leverage State school construction funding with a smaller local contribution.

Small Business Effect: None.

Analysis

Current Law: The enhanced State share of public school construction costs for Baltimore City is scheduled to terminate after fiscal 2005.

For most jurisdictions, the State share of eligible school construction costs is based on the State/local shared cost formula established in the Rules, Regulations, and Procedures for the Administration of the School Construction Program. Under the shared cost formula, less wealthy jurisdictions receive a higher State share than more wealthy jurisdictions. Not including the adjustment for Baltimore City, the State provides from 50% to 80% of the eligible costs for approved school construction projects.

Background: Based on the November 1996 consent decree entered in the Baltimore City school finance litigation, the Board of Public Works adopted a rule in May 1997 that changed the shared cost formula for Baltimore City from fiscal 1998 through fiscal 2002. Under the new rule, the State was responsible for 90% of eligible school construction costs for the first \$10 million in funding allocated by the State to Baltimore City and 75% of the funding in excess of \$10 million. Chapter 280 of 2001 established the Board of Public Works rule in State law and increased the amount subject to a 90% State share to \$20 million beginning in fiscal 2002. The sunset date on the enhanced State share has been extended each year since then, first by the Bridge to Excellence in Public Schools Act of 2002 (Chapter 288) and last year by the Public School Facilities legislation (Chapter 388) submitted by the Task Force to Study Public School Facilities. The task force, which completed its work and submitted a final report in February 2004, has recommended a new methodology for determining the State share of school construction costs. If the approach is adopted by the Board of Public Works, Baltimore City would receive a State share above 90% for all funding provided by the State.

From fiscal 1998, when the adjustment for Baltimore City was implemented, to fiscal 2004, Baltimore City has received \$160.7 million in school construction funding from the State. Under a 75%/25% State and local split for all funding from the State, it is estimated that Baltimore City would have had to spend an additional \$18.9 million to leverage the same amount of State funding.

Additional Information

Prior Introductions: None.

Cross File: HB 803 (Delegate Marriott, *et al.*) (By Request – Baltimore City Administration) – Appropriations.

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

Fiscal Note History: First Reader - March 9, 2004
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