

**Department of Legislative Services**  
**Maryland General Assembly**  
**2006 Session**

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1380  
 Ways and Means

(Delegate Hixson, *et al.*)

Budget and Taxation

**Libraries - County Library Capital Project Grants**

This bill establishes a State grant program for public library capital projects to provide a uniform and objective analysis of proposed capital projects and to support projects that address library needs in the State. The program must be administered by the Division of Library Development and Services (DLDS) within the Maryland State Department of Education (MSDE). Beginning in fiscal 2008, the Governor must include \$5 million annually in the State operating or capital budget for the program. The State Board of Education must adopt regulations to implement the program.

The bill takes effect July 1, 2006.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by an estimated \$104,500 in FY 2007 to hire staff at DLDS to launch the library capital grants program. General obligation (GO) bond or general fund PAYGO expenditures would increase by \$5 million annually beginning in FY 2008 to support the capital grants. Future year estimates reflect ongoing expenditures and regular salary increases and inflation in the administrative costs.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	.10	.10	.10	.11	.12
Other Exp.	0	5.00	5.00	5.00	5.00
Net Effect	(\$0.10)	(\$5.10)	(\$5.10)	(\$5.11)	(\$5.12)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local library revenues from State aid for capital projects would increase by \$5 million per year beginning in FY 2008. Local expenditures would increase to provide matching funds for the State grants.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** To apply for a grant from the program, a local public library system must have: (1) a countywide library plan that includes a mission statement, a needs statement, and multiyear goals and objectives on file with DLDS; and (2) a master plan that includes a description of the capital project approved by the applicant's governing body. An application must include a description of the scope and purpose of the project, a building plan that includes the total cost of the project, and any other information required by DLDS. A local public library system may not apply for more than three capital project grants per year.

By October 1 of each year, DLDS must review the applications and make funding recommendations for the next fiscal year to the State Board of Education. By November 1 of each year the State board must approve capital projects for funding and forward the list to the Department of Budget and Management for inclusion in the State budget. The State board must report annually on capital projects that were funded the prior fiscal year.

Grants from the program require a match from any combination of county, municipal, or private sources. State grants may not pay more than 50% of the total cost of the project and may not be less than \$20,000.

**Current Law:** The State and local governments share in the operating costs of public libraries through the county-State minimum library program. However, the State does not have a program to aid local public library systems with capital projects.

**Background:** The fiscal 2007 State budget includes a total of \$57.5 million in operating funds for public libraries, \$55.4 million in State general funds, and \$2.1 million in federal funds. A breakdown of this funding is shown in **Exhibit 1**.

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**Exhibit 1**  
**Funding for Public Libraries in the Proposed State Budget**  
**Fiscal 2007**

<u>Program</u>	<u>Source</u>	<u>Funding</u>
Library Aid Formula	GF	\$31,019,681
Library Services Program	FF	2,098,965
State Library Resource Center	GF	10,282,407
Regional Resource Centers	GF	4,873,479
Interlibrary	GF	29,479
Library Cooperatives	GF	34,605
Librarians Retirement	GF	<u>9,176,200</u>
<b>Total</b>		<b>\$57,514,816</b>

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MSDE reports that 59% of local public library branches are 30 or fewer years old, and 35% are older than 30 years. In addition, 6% of public libraries use rented space.

**State Fiscal Effect:** General fund expenditures could increase by an estimated \$104,463 in fiscal 2007 to hire additional staff at DLDS to begin reviewing grants and collecting library mission statements and master plans. The estimate assumes that staff will be hired in July 2006 in order to meet the October 1, 2006 deadline for recommending fiscal 2008 projects to the State Board of Education. Salaries for one full-time program manager and one part-time grant review specialist, associated fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate.

Salaries and Fringe Benefits	\$93,979
Start-up and Operating Expenses	<u>10,484</u>
<b>Total FY 2007 Administrative Expenditures</b>	<b>\$104,463</b>

Future year administrative expenditures for DLDS reflect: (1) one full-time salary and one part-time salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Beginning in fiscal 2008, expenditures of \$5 million per year are required for the program. The bill specifies that annual State funding must be provided through the operating or capital budget, but because the program is for capital projects, it is assumed that State GO bonds would be issued to make the required appropriation. It is also

assumed that the GO bonds would be within the State's capital debt affordability limit and would not increase debt service costs further. The current five-year capital program does not include planned funding for library capital projects. If the bonds to fund these projects are outside the debt affordability limit, annual debt service cost will increase by an estimated \$498,100 in fiscal 2009.

**Local Fiscal Effect:** Beginning in fiscal 2008, local public library systems would receive a total of \$5 million per year from the State for capital improvement projects. This funding would have to be matched with county, municipal, or private funds that are generated locally. Combined, the State and local funds would support library planning, design, construction, renovation, and expansion.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** Although SB 709 is designated as a cross file, it is not identical.

**Information Source(s):** Maryland State Department of Education, Department of Budget and Management, Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2006  
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