

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 432

(Senator Kasemeyer, *et al.*)

Budget and Taxation

Appropriations

Primary and Secondary Education - School Facilities - Aging Schools Program - Grant Calculation

This bill requires State grants from the aging schools program to be adjusted annually for inflation. Beginning in fiscal 2008, grants from the program must be increased by the percentage increase in the Consumer Price Index – All Urban Consumers – All Items (CPI) from the second prior fiscal year. If the CPI decreases from one fiscal year to the next, funding for the aging schools program is the same as the prior year funding level.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Mandated general fund expenditures would increase by an estimated \$374,400 in FY 2008 due to the addition of an inflationary factor to the aging schools program. Future year expenditure estimates reflect compounding inflationary increases. Revenues would not be affected.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	374,400	681,600	973,400	1,237,700
Net Effect	\$0	(\$374,400)	(\$681,600)	(\$973,400)	(\$1,237,700)

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

Local Effect: State aid for local school systems would increase by an estimated \$374,400 in FY 2008 and by an estimated \$1.2 million in FY 2011.

Small Business Effect: Minimal.

Analysis

Current Law: Annual school system grant amounts for the aging schools program are set in statute and do not increase from one fiscal year to the next. The statutory grant amounts total \$10.4 million.

Background: The aging schools program provides funds to local school systems for improvements, repairs, and deferred maintenance of public school buildings. Eligible program expenditures include asbestos and lead paint abatement; the upgrade of fire protection systems and equipment; painting; plumbing; roofing; the upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services.

The program was initially established by the Baltimore City-State partnership legislation, which provided \$4.4 million for the program and specific allocations for local school systems. The following year, the School Accountability Funding for Excellence (SAFE) legislation increased the annual funding level by \$6.0 million to \$10.4 million, the same as the current statutory funding level. In both legislative acts, the aging schools program was scheduled to terminate after fiscal 2002; however, the date was later altered to give the Task Force to Study Public School Facilities time to consider maintaining or changing the program.

In response to task force recommendations, bills were passed in 2003 and 2004 to eliminate the sunset date on the aging schools program and reallocate program funds to more closely reflect the statewide distribution of older school buildings. In addition, the fiscal 2004 capital budget bill included General Assembly intent language to add fiscal 2006 to 2008 “hold harmless” funding to the statutory grant levels to lessen the impact of the reallocation recommended by the task force. The fiscal 2007 State budget includes \$10.4 million for the mandated statutory formula plus \$1.1 million for the hold harmless grants and an additional \$3.651 million to be distributed in proportion to each county’s share of the mandated statutory amount. The distribution of statutory program funding is shown in **Exhibit 1**. **Exhibit 2** shows the additional hold harmless grants for fiscal 2006 through 2008.

Exhibit 1
Statutory Aging Schools Program Funding by School System
Fiscal 2007

Allegany	\$166,000	Harford	\$369,000
Anne Arundel	859,000	Howard	149,000
Baltimore City	2,356,000	Kent	65,000
Baltimore	1,484,000	Montgomery	1,023,000
Calvert	65,000	Prince George's	2,053,000
Caroline	85,000	Queen Anne's	85,000
Carroll	233,000	St. Mary's	85,000
Cecil	163,000	Somerset	65,000
Charles	85,000	Talbot	65,000
Dorchester	65,000	Washington	229,000
Frederick	310,000	Wicomico	181,000
Garrett	65,000	Worcester	65,000

Exhibit 2
Aging Schools Hold Harmless Grants
(\$ in Thousands)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Allegany	\$142,000	\$95,000	\$47,000
Baltimore County	1,092,000	728,000	364,000
Carroll	114,000	76,000	38,000
Cecil	144,000	96,000	48,000
Talbot	68,000	45,000	23,000
Wicomico	<u>131,000</u>	<u>87,000</u>	<u>44,000</u>
Total	\$1,690,000	\$1,127,000	\$563,000

State Expenditures: General fund expenditures will increase by an estimated \$374,362 in fiscal 2008 due to the addition of an inflationary increase to the statutory funding level for the aging schools program. Future year expenditure increases will reflect the compounding effect of annual CPI adjustments. Estimated increases for each school

system from fiscal 2008 to 2011 are shown in **Exhibit 3**. The estimates assume that the fiscal 2008 hold harmless grants would be distributed to counties as intended but would not be adjusted for inflation. By fiscal 2011, increases would total an estimated \$1.2 million.

Exhibit 3
Increases for Aging Schools Program
Fiscal 2008 to 2011

<u>School System</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Allegany	\$5,993	\$10,912	\$15,582	\$19,813
Anne Arundel	31,010	56,464	80,632	102,526
Baltimore City	85,052	154,866	221,153	281,200
Baltimore	53,572	97,547	139,300	177,123
Calvert	2,347	4,273	6,101	7,758
Caroline	3,069	5,587	7,979	10,145
Carroll	8,411	15,316	21,871	27,810
Cecil	5,884	10,714	15,300	19,455
Charles	3,069	5,587	7,979	10,145
Dorchester	2,347	4,273	6,101	7,758
Frederick	11,191	20,377	29,099	37,000
Garrett	2,347	4,273	6,101	7,758
Harford	13,321	24,255	34,637	44,042
Howard	5,379	9,794	13,986	17,784
Kent	2,347	4,273	6,101	7,758
Montgomery	36,930	67,244	96,027	122,100
Prince George's	74,113	134,949	192,711	245,036
Queen Anne's	3,069	5,587	7,979	10,145
St. Mary's	3,069	5,587	7,979	10,145
Somerset	2,347	4,273	6,101	7,758
Talbot	2,347	4,273	6,101	7,758
Washington	8,267	15,053	21,496	27,332
Wicomico	6,534	11,898	16,990	21,603
Worcester	2,347	4,273	6,101	7,758
Total	\$374,362	\$681,648	\$973,407	\$1,237,710

Local Revenues: State aid to local school systems through the aging schools program will increase by an estimated \$374,362 in fiscal 2008 and by an estimated \$1.2 million in fiscal 2011. Estimated increases for each school system are shown in Exhibit 3.

Additional Information

Prior Introductions: None.

Cross File: HB 705 (Delegate Jones, *et al.*) – Appropriations.

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

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