

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 914

(Senator McFadden)

Budget and Taxation

Appropriations

Baltimore City Public School System - Debt Authorization

This bill increases the maximum aggregate principal amount of bonds that the Baltimore City Board of School Commissioners may issue from \$75 million to \$100 million.

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City school revenues could increase by up to \$25 million in FY 2007 due to the increased bond authority. School system debt service would increase by an estimated \$2.4 million annually beginning in FY 2008.

Small Business Effect: Minimal.

Analysis

Current Law: The Baltimore City Board of School Commissioners may issue bonds with an aggregate principal amount of up to \$75 million. Bond proceeds may be used to finance or refinance the costs associated with any school construction or improvement project in the city.

Background: Chapter 559 of 2000 gave the Baltimore City Board of School Commissioners the authority to issue up to \$25 million in bonds. In 2002, Chapter 459 increased the bond ceiling to \$75 million, which is the current level. Baltimore City remains the only local board of education in Maryland that has the authority to issue debt. The board advises that it is currently paying debt service of approximately \$7.5 million annually on the bonds it has issued.

Bonds issued by the board of school commissioners use a State intercept; the State pays the debt service and subtracts the payments from the State education aid that is owed to the board. The bonding authority granted to the board is separate from the State's public school construction program. Baltimore City does not need State approval to use bond funds and does not receive a State match for the funds.

The Task Force to Study Public School Facilities conducted an assessment of the conditions and adequacy of the State's public schools in fall 2003 and concluded that \$570.6 million was needed to bring school facilities in Baltimore City up to existing federal, State, and local standards. This was the second-highest figure among Maryland's 24 local school systems, behind only Prince George's County (\$778.2 million).

Local Fiscal Effect: Baltimore City school bond revenues could increase by up to \$25 million in fiscal 2007 if the additional bonding authority is used in one year. Annual debt service costs for Baltimore City will increase by an estimated \$2.4 million per year beginning in fiscal 2008. This estimate assumes a 5% annual interest rate and a 15-year term of maturity on the bonds. According to the board of school commissioners, the board has a bond rating of Aa1 from Moody's and AA+ from Standard and Poor's.

The Baltimore City Board of School Commissioners advises that bond proceeds would be used to aid with the city's school closing and consolidation efforts. Schools that will be receiving additional students need renovations in order to accommodate the new students.

Additional Information

Prior Introductions: None.

Cross File: HB 1215 (Delegate Marriott) – Appropriations.

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

Fiscal Note History: First Reader - March 15, 2006
ncs/rhh

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