

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 825

(Senator McFadden, *et al.*)

Budget and Taxation

Primary and Secondary Education - Aging Schools Program - Grants

This bill requires the Interagency Committee on School Construction (IAC) to allocate 15% of the funding appropriated for public school construction to the aging schools program from fiscal 2008 to 2018. The additional funding for the aging schools program must be distributed to local school systems in the same proportions as the mandated program funding is allocated.

The bill takes effect July 1, 2006 and terminates June 30, 2018.

Fiscal Summary

State Effect: The bill would not impact State spending for public school construction. The review and approval of a greater number of projects could be handled with existing personnel and resources.

Local Effect: Local expenditures for public school construction would decrease significantly beginning in FY 2008 due to the transfer of school construction funds to the aging schools program, which has no local match. Overall funding for local school systems would not be affected, but the distribution of funding could be altered.

Small Business Effect: Minimal.

Analysis

Current Law: School system grant amounts for the aging schools program are set in statute and total \$10.4 million annually. The allocation is based on the age of school

buildings in each jurisdiction. The 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.

State funding for public school construction is discretionary. Local school systems request funding for specific projects each year, and based on the advice of IAC, the Board of Public Works allocates available State school construction funds to the local school systems. Projects are selected based on a number of factors, but there is no pre-determined allocation of State funds. The State and local cost-share formula determines State and local shares for each school system, and all projects require a local match. The Public School Construction Program (PSCP), the Department of General Services (DGS), the Maryland State Department of Education (MSDE), and the Maryland Department of Planning (MDP) are staff to IAC.

Background: The aging schools 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 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 proposed fiscal 2007 State budget includes \$10.4 million for the mandated statutory formula plus \$1.1 million for the hold harmless grants. 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

The proposed fiscal 2007 capital budget includes \$261.3 million in general obligation (GO) bonds and PAYGO for public school construction. This includes \$1.6 million in SB 825 / Page 3

GO bonds for the aging schools program. An additional \$19.6 million is proposed to be reallocated from the school construction contingency fund, bringing the Governor's proposed total funding to \$280.9 million in fiscal 2007. Initial fiscal 2007 school construction allocations amounting to \$210.7 million were approved by the Board of Public Works in January 2006, and the remaining \$70.2 million in proposed State funds will be allocated to school systems prior to the start of fiscal 2007. The fiscal 2007 Capital Improvement Program (CIP) submitted by the Governor assumes \$152.4 million annually from fiscal 2008 to 2010 and \$150 million in fiscal 2011 for public school construction.

State Fiscal Effect: Based on the proposed fiscal 2007 CIP, an estimated \$22.9 million will transfer from public school construction to the aging schools program from fiscal 2008 to 2010 and \$22.5 million will transfer in fiscal 2011. Because aging schools projects are typically smaller than school construction projects, the bill will increase the number of projects that PSCP, DGS, MSDE, and MDP must review and approve. However, all four agencies suggest that the additional workload could be handled with existing staff and resources.

Local Fiscal Effect: The bill would not alter total State aid to local school systems; it could, however, alter the distribution of funds appropriated for public school construction. Currently, school construction funds are allocated based on a combination of factors as determined by IAC. The bill would require the aging schools allocation to be used for 15% of the money appropriated for public school construction. The projected allocations for fiscal 2008 are shown in **Exhibit 3**.

Exhibit 3
Allocation of 15% of School Construction Funds
Fiscal 2008

In CIP for school construction	\$152,400,000
x15%	22,860,000

<u>School System</u>	<u>Required Allocation</u>	<u>Amount</u>
Allegany	1.60%	\$365,760
Anne Arundel	8.28%	1,892,808
Baltimore City	22.72%	5,193,792
Baltimore	14.30%	3,268,980
Calvert	0.63%	144,018
Caroline	0.82%	187,452

<u>School System</u>	<u>Required Allocation</u>	<u>Amount</u>
Carroll	2.24%	512,064
Cecil	1.57%	358,902
Charles	0.82%	187,452
Dorchester	0.63%	144,018
Frederick	2.99%	683,514
Garrett	0.63%	144,018
Harford	3.56%	813,816
Howard	1.44%	329,184
Kent	0.63%	144,018
Montgomery	9.86%	2,253,996
Prince George's	19.80%	4,526,280
Queen Anne's	0.82%	187,452
St. Mary's	0.82%	187,452
Somerset	0.63%	144,018
Talbot	0.63%	144,018
Washington	2.21%	505,206
Wicomico	1.74%	397,764
Worcester	0.63%	144,018
Total	100.00%	\$22,860,000

Local Expenditures: Local school expenditures for public school construction would decrease significantly beginning in fiscal 2008. Unlike State school construction funding, the aging schools program does not require a local match. Transferring 15% of school construction funding, approximately \$23 million per year, to the aging schools program will therefore reduce required local matching funds.

For illustrative purposes, Exhibit 4 shows the local expenditures that would be needed to match the added fiscal 2008 aging schools allocations (as estimated in Exhibit 3) if the funds were provided as public school construction funds rather than aging schools funds. The exhibit shows a local savings of \$11.7 million.

Exhibit 4
Illustration of Local Savings under SB 825
Fiscal 2008

<u>School System</u>	<u>Aging Schools Allocation</u>	<u>State Share</u>	<u>Local Share</u>	<u>Local Money Saved</u>
Allegany	\$365,760	90%	10%	\$40,640
Anne Arundel	1,892,808	50%	50%	1,892,808
Baltimore City	5,193,792	97%	3%	160,633
Baltimore	3,268,980	50%	50%	3,268,980
Calvert	144,018	69%	31%	64,704
Caroline	187,452	89%	11%	23,168
Carroll	512,064	65%	35%	275,727
Cecil	358,902	70%	30%	153,815
Charles	187,452	70%	30%	80,337
Dorchester	144,018	77%	23%	43,018
Frederick	683,514	72%	28%	265,811
Garrett	144,018	70%	30%	61,722
Harford	813,816	65%	35%	438,209
Howard	329,184	58%	42%	238,375
Kent	144,018	50%	50%	144,018
Montgomery	2,253,996	50%	50%	2,253,996
Prince George's	4,526,280	75%	25%	1,508,760
Queen Anne's	187,452	70%	30%	80,337
St. Mary's	187,452	72%	28%	72,898
Somerset	144,018	97%	3%	4,454
Talbot	144,018	50%	50%	144,018
Washington	505,206	65%	35%	272,034
Wicomico	397,764	81%	19%	93,303
Worcester	144,018	50%	50%	144,018
Total	\$22,860,000			\$11,725,781

Additional Information

Prior Introductions: None.

Cross File: HB 1192 (Delegate Haynes, *et al.*) – Appropriations.

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

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