

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 57 (Delegate Pugh)  
Appropriations

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**Baltimore City - Public School Construction - Funding**

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This bill requires the Governor to include \$100 million for new public school construction projects in Baltimore City in the fiscal 2008 to 2017 annual State budgets.

The bill takes effect July 1, 2006.

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**Fiscal Summary**

**State Effect:** The proposed five-year Capital Improvement Program (CIP) includes sufficient annual funding levels to cover a \$100 million yearly appropriation for Baltimore City schools beginning in FY 2008. Revenues would not be affected.

**Local Effect:** Based on prior year allocations, State school construction funding for Baltimore City would increase by approximately \$60 million to \$90 million annually beginning in FY 2008. To qualify for \$100 million annually in State funding, Baltimore City would have to commit an estimated \$21.3 million in local funds per year to school construction. Unless the bill results in additional State funding for school construction, funding levels for all school systems except Baltimore City would decrease beginning in FY 2008.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** State funding for public school construction is discretionary. Local school systems request funding for specific projects each year, and based on the advice of

the Interagency Committee on School Construction, the Board of Public Works allocates available State school construction funds to the local school systems.

**Background:** At the request of the Task Force to Study Public School Facilities, the Maryland State Department of Education, the Public School Construction Program (PSCP), and the local school systems collaborated to conduct an assessment of the conditions and adequacy of the State's public schools in fall 2003. The assessment concluded that \$3.85 billion was needed to bring existing school facilities up to standards and meet the State's school capacity needs. This total included \$570.6 million in Baltimore City, the second-highest total in the State behind Prince George's County (\$778.2 million). The Task Force to Study Public School Facilities recommended a State funding level of \$250 million per year for eight years to fund the State's portion of public school construction costs in all school systems.

The proposed fiscal 2007 capital budget includes \$261.3 million in general obligation (GO) bonds and PAYGO for public school construction. 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 resulted in \$18.4 million for Baltimore City. The remaining \$70.2 million in proposed State funds will be allocated to the school systems prior to the start of fiscal 2007. The fiscal 2007 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.

For fiscal 2007, Baltimore City advises that it has requested approximately \$100 million in State funds for public school construction and is ready to match that allocation with \$17 million in GO bond funds from the city. If fully funded, the request would provide for improvements in 60 city schools.

**State Fiscal Effect:** Although it exceeds the usual allocation for Baltimore City school construction by a wide margin, the fiscal 2008 to 2017 \$100 million annual allotment that would be required by this bill could be accommodated within the proposed CIP. Unless the bill results in additional State funding for public school construction, it is assumed that personnel from PSCP and the departments of General Services and Planning would work more frequently with the Baltimore City Public School System but would not need additional resources to meet the bill's requirements.

**Local Revenues:** School construction revenues for Baltimore City would increase significantly beginning in fiscal 2008. Over the last five years, annual funding for Baltimore City has ranged from \$11 million to \$44 million and has averaged approximately \$20 million.

Unless additional State funding is provided for school construction (above the fiscal 2007 CIP assumptions), funding for every school system except Baltimore City would decrease beginning fiscal 2008. Based on the fiscal 2007 CIP, Baltimore City would receive approximately two-thirds of State school construction funding from fiscal 2008 to 2011 with all other school systems splitting the remaining one-third, approximately \$50 million annually. In the past, Baltimore City has received an average of 10% of the available statewide funds.

**Local Expenditures:** The State pays 97% of eligible school construction costs in Baltimore City. The city is responsible for the other 3% plus all ineligible costs, which typically make up approximately 15% of a project's total cost. To qualify for \$100 million in State funding, Baltimore City would have to commit an estimated \$21.3 million in local funds each year, approximately \$18.2 million for ineligible costs and \$3.1 million for the local share of eligible costs.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 3, 2006  
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