

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 180 (Senator Stoltzfus)
Education, Health, and Environmental Affairs Environmental Matters

Somerset County - Sale of Property - Whittington Elementary School

This bill allows the Somerset County Commissioners to sell the property known as Whittington Elementary School to Shore Up Inc., under terms deemed appropriate by the county commissioners.

Fiscal Summary

State Effect: Potential foregone reimbursable revenue in FY 2008 from not selling the Whittington facility through a competitive bidding process. Expenditures would not be affected.

Local Effect: Potential forgone county revenue in FY 2008 from not selling the school through a competitive bidding process. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law:

Sale of School Property in the State

Generally if a county board of education finds that any school property is no longer needed for school purposes, it must be transferred (with the approval of the State Superintendent of Schools) to the county commissioners or county council for disposition. The county may use, sell, lease, or otherwise dispose of the property, except by gift.

Regulations require a county to submit a disposition request to the Interagency Committee on School Construction (IAC), which must then make a recommendation to the Board of Public Works (BPW). BPW may approve, disapprove, or conditionally approve the disposition request. If a county disposes of former school property, BPW may, upon recommendation of IAC, require the county to pay the State a share of the proceeds proportionate to the State's investment in the property; require the county to assume any remaining State debt; and establish any method of payment. IAC's recommendation regarding the assumption of any remaining State debt is based on the amount of bond debt remaining at the time the school building ceased to be used for educational purposes.

Sale of Somerset County Property

As provided in Article 25, § 11A, generally the county commissioners of every county may: (1) acquire by purchase, gift, devise, bequest, or condemnation, any property or interest needed for any public purpose; (2) erect buildings on the land for the benefit of the county; and (3) sell at public sale any property no longer needed. In Somerset County, the county commissioners may sell any interest in surplus property through a sealed bid process. If the county commissioners determine that the highest bid fails to yield a reasonable price for the property, the county commissioners may reject all bids.

In a number of counties, including Somerset, the county commissioners may negotiate with any governmental body or agency located within the county for the sale of real property no longer needed by the county school board without advertising the property for sale, after three independent appraisals have been obtained.

Background: The Whittington Elementary School site was first acquired by the Somerset County Board of Education in 1874. As part of the reorganization of the county schools, Whittington Elementary and Marion Sarah Payton Elementary schools will be consolidated into a renovated Carter G. Woodson Elementary School. The reorganization will reduce the total number of county schools from 11 to 9. At its January 20, 2004 meeting, the Somerset County Board of Education declared this facility surplus to the needs of the county school system.

BPW approved the transfer of Whittington Elementary from the Somerset County Board of Education to the Somerset County government on September 20, 2006. As a condition of approval, IAC recommended that the county government must obtain BPW approval before it transfers any right, title, or interest of any portion of the facility. There is no outstanding State bond debt on the facility. The county currently leases the Whittington property to Shore Up, Inc. for \$1 annually.

It was stated at the September 20, 2006 BPW meeting that the intended use of this facility is as a Head Start preschool for the Crisfield area operated by Shore Up, Inc.

Shore Up, Inc. is a community action partnership with goals of aiding individuals and families move toward self-sufficiency. This organization operates a number of programs including training and employment services, health care and senior citizen services, children and family services, and housing and community development programs. The organization operates facilities and centers throughout several Eastern Shore counties, including an energy assistance program center and a Head Start center in Crisfield.

Somerset County is one of the least affluent jurisdictions in the State. The county ranks twenty-first out of the 24 jurisdictions in terms of estimated wealth per pupil. The fiscal 2008 wealth per pupil amount for Somerset County is \$245,000; while the statewide wealth per pupil amount is \$398,000. Somerset County also serves a disproportionately high number of at-risk students; 74.3% of enrollment compared to 49.2% statewide. Both of these factors result in a higher level of State funding to the local school system. State aid per pupil in Somerset County will total \$9,490 in fiscal 2008; whereas, the statewide average is \$6,271 per pupil. In total, Somerset County is estimated to receive \$23.9 million in State education aid (excluding retirement) in fiscal 2008.

State Fiscal Effect: Generally, the State's share of the proceeds from the sale of school property is equal to the State's percent of investment in the building. If the proceeds from selling the school to Shore Up, Inc. are less than what the selling price would have been through a competitive sealed bid process, the bill could result in foregone reimbursable State revenue in fiscal 2008. The amount of revenue foregone would be equal to the fair market appraised value of the property minus the selling price, multiplied by the percentage of State investment in the facility.

The State's percentage of investment in the facility is currently unknown. Generally, the State's percentage is relative to the county's investment of the facility, and the State does not request this information from the county until the county has entered into a contract of sale and the transaction is up for approval by IAC and BPW.

In the past, IAC and BPW have granted exemptions to the policy of reclaiming the State's share of proceeds from the sale of former schools, if the facility would continue to be used for a public purpose. If BPW decides that the facility would continue to be used for a public purpose and grants the county an exemption from having to pay the State its share of the proceeds, the bill would not materially affect State finances.

Local Fiscal Effect: Somerset County advises that it does not currently know what the selling price would be for the Whittington property. To the extent that the bill allows the county to sell the property for an amount less than the county's share of the fair market

proceeds from the facility, the bill could result in foregone county revenue in fiscal 2008. The county's share of the foregone revenue would be equal to the property's fair market appraisal minus the selling price to Shore Up, Inc., multiplied by the percentage of county investment in the building. Since the county does not know what the selling price of the facility would be, this amount cannot be quantified at this time. The county has not yet had the property appraised.

Additional Information

Prior Introductions: None.

Cross File: HB 197 (Delegate Elmore) – Environmental Matters.

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

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