

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 653 (Senator Edwards)
 Budget and Taxation

Allegany County - School Funding Repayment - Release of Debt

This bill releases Allegany County from paying a \$445,668 debt to the State for the sales of Barton Elementary School and Oldtown Elementary School and associated outstanding bond debt.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: Releasing Allegany County from its debt to the State related to disposing of Barton and Oldtown elementary schools would decrease State reimbursable revenues by \$445,700 in FY 2008 only. Expenditures would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
ReimB. Rev.	(\$445,700)	\$0	\$0	\$0	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$445,700)	\$0	\$0	\$0	\$0

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

Local Effect: Allegany County expenditures would decrease by \$445,700 in FY 2008. Revenues would not be affected.

Small Business Effect: None.

Analysis

Current Law: 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.

Background: Barton Elementary School was built in 1975, but ceased K-5 operations in 2000 due to declining enrollment. On March 1, 2001, the Allegany County Board of Education transferred the property to the county. On November 2, 2001, the county sold the facility through a competitive-sealed bid process for \$127,501. BPW approved the sale of the property on August 30, 2006. As a condition for the approval, IAC recommended that the county pay the State \$111,103, the State's portion of the sale proceeds.

Oldtown Elementary School was built in 1924 and received a major addition and full renovation in 1978. The school ceased K-5 operations in 2000 due to declining enrollment and because it is located in a flood plain. On March 1, 2001, the Allegany County Board of Education transferred the property to the county. On September 3, 2002, the county sold the facility for \$5,000. BPW approved the sale of the property on August 30, 2006. As a condition for the approval, IAC recommended that the county pay the State \$3,680, the State's portion of the sale proceeds.

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. For example, of the funds used to construct Oldtown Elementary School, the State contributed 87.4%. Thus, the State's share of the proceeds would be 87.4% of the sale proceeds attributable to the building. Oldtown Elementary School sold for \$5,000; however, only \$4,210 was attributable to

the building. Thus, the State's share of the proceeds from the sale of this property totals \$3,680, or 87.4% of \$4,210.

The State's share of the proceeds from the sales of the two schools totals \$199,570. The other portion of the debt forgiven by the bill stems from outstanding bond debt for these two schools, which totals \$330,865. BPW required Allegany County to assume the State debt for these properties. **Exhibit 1** details the State's share of the proceeds from the sale of Barton and Oldtown elementary schools and the associated outstanding bond debt for each.

Exhibit 1
Allegany County School Construction Funding Repayment to the State

<u>School</u>	<u>State Share of Sale Proceeds</u>	<u>Outstanding Bond Debt</u>	<u>Total</u>
Barton Elementary School	\$111,103	\$88,467	\$199,570
Oldtown Elementary School	<u>3,680</u>	<u>242,398</u>	<u>246,078</u>
Total	\$114,783	\$330,865	\$445,648

Since December 2005, the Public School Construction Program has recaptured approximately \$1.0 million from three jurisdictions (including the debt related to these two schools), and an additional \$2.6 million is currently being sought from two jurisdictions as a result of the sale of public school buildings.

Allegany County is one of the least affluent jurisdictions in the State. The county ranks twenty-third out of the 24 jurisdictions in terms of estimated wealth per pupil. The fiscal 2008 wealth per pupil amount for Allegany County is \$213,000; while the statewide wealth per pupil amount is \$398,000. Allegany County also serves a disproportionately high number of at-risk students; 62.0% 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 Allegany County will total \$9,870 in fiscal 2008; whereas, the statewide average is \$6,271 per pupil. In total, Allegany County is estimated to receive \$82.4 million in State education aid (excluding retirement) in fiscal 2008.

Additional Comments: While the bill would release Allegany County from paying \$445,668 to the State, the share of State proceeds from the sale of Barton and Oldtown elementary schools and associated outstanding bond debt total \$445,648 (\$20 less).

Additional Information

Prior Introductions: None.

Cross File: HB 341 (Allegany County Delegation) – Appropriations.

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

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