

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 956 (Delegate Jones, *et al.*)
 Appropriations

Primary and Secondary Education - School Facilities - Aging Schools Program

This bill alters the allocations for the aging schools program by increasing the mandated funding levels for 20 school systems. The new allocations must be used in fiscal 2009, with annual inflationary adjustments to the amounts beginning in fiscal 2010.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: Mandated general fund expenditures would increase by an estimated \$9.7 million in FY 2009 due to the change in the aging schools program allocation. Future year expenditure increases reflect inflation. The additional workload for the Maryland State Department of Education (MSDE) and the Public School Construction Program (PSCP) could be accomplished with existing personnel. Revenues would not be affected.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	9.7	9.9	10.1	10.3
Net Effect	\$0	(\$9.7)	(\$9.9)	(\$10.1)	(\$10.3)

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

Local Effect: Local revenues from State aid would increase by an estimated \$9.7 million in FY 2009 and by an estimated \$10.3 million in FY 2012.

Small Business Effect: Minimal.

Analysis

Current Law: The statutory allocations for the Aging Schools Program total \$10.4 million. Beginning in fiscal 2008, the amount for each county must be adjusted to reflect the change in the Consumer Price Index – All Urban Consumers – All Items (CPI) from the second prior fiscal year. Although the aging school program is the only State education aid program that provides funding specifically earmarked for school maintenance projects, almost all of the direct State aid distributed to local school systems is flexible and may be used to repair and maintain school buildings.

Background: The aging schools 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; upgrade of fire protection systems and equipment; painting; plumbing; roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services.

The 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 (SAFE) legislation increased the annual funding level by \$6.0 million to \$10.4 million, the same as the current statutory funding level. In both 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 enacted 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 (Chapter 432) included General Assembly intent language to add fiscal 2006 to 2008 “hold harmless” funding to the statutory grant levels in order to lessen the impact of the reallocation recommended by the task force. Chapter 252 of 2006 added an annual inflationary adjustment to the aging school program beginning in fiscal 2008. The Governor’s fiscal 2008 State budget proposes \$12.5 million for the program, as illustrated in **Exhibit 1**.

The allocation proposed in this bill is based on each school system’s share of the State’s school facility square footage that was built before 1970 and has not undergone any major renovations since 1970. School systems with less than 0.25% of the State’s pre-1970s square footage receive \$65,000, and schools systems with 0.26% to 0.4% receive \$85,000.

Exhibit 1
Proposed Fiscal 2008 Funding for Aging Schools Program

<u>School System</u>	<u>Statutory Allocation</u>	<u>4.32% CPI Adjustment</u>	<u>Chapter 432 Hold Harmless</u>	<u>Discretionary Hold Harmless</u>	<u>Total</u>
Allegany	\$166,000	\$7,171	\$47,000	\$95,000	\$315,171
Anne Arundel	859,000	37,109	0	0	896,109
Baltimore City	2,356,000	101,779	0	0	2,457,779
Baltimore	1,484,000	64,109	364,000	728,000	2,640,109
Calvert	65,000	2,808	0	0	67,808
Caroline	85,000	3,672	0	0	88,672
Carroll	233,000	10,066	38,000	76,000	357,066
Cecil	163,000	7,042	48,000	96,000	314,042
Charles	85,000	3,672	0	0	88,672
Dorchester	65,000	2,808	0	0	67,808
Frederick	310,000	13,392	0	0	323,392
Garrett	65,000	2,808	0	0	67,808
Harford	369,000	15,941	0	0	384,941
Howard	149,000	6,437	0	0	155,437
Kent	65,000	2,808	0	0	67,808
Montgomery	1,023,000	44,194	0	0	1,067,194
Prince George's	2,053,000	88,690	0	0	2,141,690
Queen Anne's	85,000	3,672	0	0	88,672
St. Mary's	85,000	3,672	0	0	88,672
Somerset	65,000	2,808	0	0	67,808
Talbot	65,000	2,808	23,000	45,000	135,808
Washington	229,000	9,893	0	0	238,893
Wicomico	181,000	7,819	44,000	87,000	319,819
Worcester	<u>65,000</u>	<u>2,808</u>	<u>0</u>	<u>0</u>	<u>67,808</u>
Total	\$10,370,000	\$447,986	\$564,000	\$1,127,000	\$12,508,986

State Expenditures: Mandated general fund expenditures would increase by an estimated \$9.7 million in fiscal 2009 to provide for the enhancement to the aging schools program. The added funding would increase each year according to growth in the CPI, which is projected at approximately 2% per year over the next several years. By fiscal

2012, the funding increase would amount to an estimated \$10.3 million. The additional funding would be distributed to local school systems in accordance with the aging schools allocation established in the bill. **Exhibit 2** compares estimated aging schools program funding under the bill to program funding under current law.

Exhibit 2
Estimated State Funding for the Aging Schools Program
Fiscal 2009 to 2012

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
With HB 956	\$20,740,000	\$21,134,060	\$21,577,877	\$22,031,011
Under Current Law	<u>11,045,162</u>	<u>11,255,015</u>	<u>11,491,365</u>	<u>11,732,686</u>
General Fund Increase	\$9,694,838	\$9,879,045	\$10,086,512	\$10,298,325

MSDE and PSCP review aging schools project requests submitted by local school systems, approve eligible projects, and determine if additional review of any construction documents will be required. Adding funding to the aging schools program will result in additional project requests and more administrative review by MSDE and PSCP. It is assumed, however, that MSDE and PSCP could handle the additional workload with existing personnel and resources.

Local Revenues: Local school system revenues from State aid would increase by an estimated \$9.7 million in fiscal 2009 and \$10.3 million in fiscal 2010; however, funding would decrease slightly for the Calvert, Dorchester, Somerset, and Worcester county school systems. The decreases are a result of the fiscal 2009 grants being set in law without the annual inflationary factor that begins in fiscal 2008. Estimated aging school program funding changes by school system are shown in **Exhibit 3**.

Exhibit 3
Estimated Change in State Aid from the Aging Schools Program
Fiscal 2009 to 2012

<u>School System</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Allegany	\$76,192	\$77,640	\$79,270	\$80,935
Anne Arundel	679,073	691,975	706,506	721,342
Baltimore City	1,980,608	2,018,240	2,060,624	2,103,897
Baltimore	3,219,381	3,280,549	3,349,440	3,419,778
Calvert	(4,232)	(4,312)	(4,402)	(4,495)
Caroline	42,466	43,273	44,182	45,110
Carroll	135,830	138,411	141,317	144,285
Cecil	74,387	75,800	77,392	79,017
Charles	64,466	65,691	67,071	68,480
Dorchester	(4,232)	(4,312)	(4,402)	(4,495)
Frederick	202,817	206,671	211,011	215,442
Garrett	15,768	16,068	16,406	16,750
Harford	252,975	257,782	263,196	268,723
Howard	63,299	64,502	65,857	67,240
Kent	15,768	16,068	16,406	16,750
Montgomery	822,395	838,021	855,620	873,588
Prince George's	1,717,335	1,749,964	1,786,714	1,824,235
Queen Anne's	48,466	49,387	50,424	51,483
St. Mary's	62,466	63,653	64,990	66,355
Somerset	(4,232)	(4,312)	(4,402)	(4,495)
Talbot	15,768	16,068	16,406	16,750
Washington	132,090	134,600	137,427	140,313
Wicomico	90,216	91,930	93,861	95,832
Worcester	(4,232)	(4,312)	(4,402)	(4,495)
Total	\$9,694,838	\$9,879,045	\$10,086,512	\$10,298,325

Additional Information

Prior Introductions: None.

Cross File: SB 691 (Senator Kasemeyer, *et al.*) – Budget and Taxation.

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

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