

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1407 (Delegate Bohanan)
 Appropriations

Primary and Secondary Education - Aging Schools Program - Requirements

This bill requires a local match for State funds provided through the aging schools program and limits the use of program funds to projects in school buildings for which the average year of construction is before 1970. The required local contribution is determined by the State and local cost share formula for public school construction, and the calculation used to determine the average age of a school building is established in the bill.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: General fund expenditures would decrease by at least \$135,800 in FY 2008 due to the limitation placed on the usage of aging schools program funds. Future year reductions reflect the current law termination of the hold harmless grants after FY 2008 and inflation. Any additional administrative review of aging schools projects could be performed with existing personnel and resources.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(135,800)	(69,200)	(70,500)	(72,000)	(73,500)
Net Effect	\$135,800	\$69,200	\$70,500	\$72,000	\$73,500

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

Local Effect: Local school expenditures would increase by an estimated \$6.7 million in FY 2008 to provide local matches for State funds provided under the aging schools program. Local school revenues in Talbot County would decrease by \$135,800 in FY 2008 and by approximately \$70,000 to \$75,000 annually thereafter because the

county has no pre-1970s school buildings. School system revenues could also decrease in other counties that have very little pre-1970s square footage.

Small Business Effect: Minimal.

Analysis

Current Law: The aging schools program provides funds to local school systems for improvements, repairs, and deferred maintenance of public school buildings and building systems that are more than 15 years old. Grant amounts for each school system are specified in statute. State funding for the aging schools program does not require a local match and there is no requirement that State funding be spent for pre-1970s school buildings.

Background: Eligible aging schools 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. Projects must cost at least \$10,000 to be funded through the program. The Maryland State Department of Education and the Public School Construction Program (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. PSCP advises that the base \$10.4 million allocation for the program generally funded 160 to 180 local projects per year.

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 (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. The statutory allocations are based on each county's share of statewide pre-1970s square footage. In addition, the 2004 capital budget bill (Chapter 432) included General Assembly intent language to add fiscal 2006, 2007, and 2008 "hold harmless" funding to the statutory grant levels in order to lessen the impact of the reallocation recommended by the task force and enacted in Chapters 306 and 307 of 2004. 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**.

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	65,000	2,808	0	0	67,808
Total	\$10,370,000	\$447,986	\$564,000	\$1,127,000	\$12,508,986

Statewide, 26% of total school facility square footage was built before 1970 and has not been renovated since 1970. The percentages for the individual school systems are shown in **Exhibit 2** and range from 0% in Talbot County to 46% in Baltimore City.

Exhibit 2
Percentage of Local Square Footage Not Built or Renovated Since 1970

<u>School System</u>	<u>Pre-1970s %</u>	<u>School System</u>	<u>Pre-1970s %</u>
Allegany	25.2%	Harford	22.9%
Anne Arundel	22.2%	Howard	4.9%
Baltimore City	45.9%	Kent	20.4%
Baltimore	36.5%	Montgomery	15.4%
Calvert	3.6%	Prince George's	41.2%
Caroline	17.1%	Queen Anne's	22.7%
Carroll	14.5%	St. Mary's	6.3%
Cecil	29.5%	Somerset	2.0%
Charles	8.5%	Talbot	0.0%
Dorchester	1.1%	Washington	23.4%
Frederick	16.9%	Wicomico	22.6%
Garrett	15.0%	Worcester	2.3%

Source: Public School Construction Program

State Expenditures: Talbot County has no pre-1970s square footage and would be unable to qualify for its share of aging schools funds. Other school systems with low percentages of pre-1970s square footage may also have difficulty using their full proposed fiscal 2008 amounts under the program. Thus, fiscal 2008 general fund expenditures would decrease by at least \$135,808, the amount proposed for Talbot County, and could decrease by more. In future years, the amount of aging schools funds mandated for Talbot County are lower, and therefore the general fund savings could be less than the amount saved in fiscal 2008. Further savings may also be realized in future years as pre-1970s square footage is renovated by local school systems, decreasing the number of schools that would be eligible for aging schools funding.

Local Revenues: Local school system revenues in Talbot County would decrease by \$135,808 in fiscal 2008 because the school system has no pre-1970s school buildings and would therefore be unable to qualify for its aging schools grant. Because the school system's scheduled allocation for the program is lower in future years (approximately \$70,000 to \$75,000 annually through fiscal 2012), the loss of revenue would not be as great after fiscal 2008.

Other school systems where the percentages of pre-1970s school facility square footage are low – like Calvert, Dorchester, Howard, Somerset, and Worcester counties – may also have difficulty qualifying for their full aging schools allocations in future years.

Local Expenditures: In order to qualify for the full proposed State funding amounts (less the amount for Talbot County), local school expenditures would increase by \$6.7 million in fiscal 2008. This amount was calculated using the fiscal 2008 State and local cost share formula for public school construction. Projected local contributions for the 24 local school systems are shown in **Exhibit 3**.

Exhibit 3
Estimated Fiscal 2008 Local Shares of Aging Schools Program

<u>County</u>	<u>Proposed Aging Schools Allocation</u>	<u>State/Local Cost Shares*</u>	<u>Local Cost</u>
Allegany	\$315,171	90/10	\$35,019
Anne Arundel	896,109	50/50	896,109
Baltimore City	2,457,779	97/3	76,014
Baltimore	2,640,109	50/50	2,640,109
Calvert	67,808	69/31	30,464
Caroline	88,672	89/11	10,959
Carroll	357,066	65/35	192,266
Cecil	314,042	70/30	134,589
Charles	88,672	70/30	38,002
Dorchester	67,808	77/23	20,254
Frederick	323,392	72/28	125,764
Garrett	67,808	70/30	29,061
Harford	384,941	65/35	207,276
Howard	155,437	58/42	112,558
Kent	67,808	50/50	67,808
Montgomery	1,067,194	50/50	1,067,194
Prince George's **	2,141,690	75/25	713,897
Queen Anne's	88,672	70/30	38,002
St. Mary's	88,672	72/28	34,484
Somerset	67,808	97/3	2,097
Talbot***	135,808	50/50	0
Washington	238,893	65/35	128,635
Wicomico	319,819	81/19	75,019
Worcester	67,808	50/50	67,808
Total	\$12,508,986		\$6,743,388

* State and local cost share formula for public school construction.

** Prince George's County's State/local cost shares are 75/25 for the first \$35 million in State school construction funding and 69/31 for any additional funding.

*** Talbot County has no pre-1970s square footage and therefore could not qualify for aging schools funds and would not need to provide a local contribution.

Future year local costs would depend on the recalibration of the State and local cost share formula scheduled for fiscal 2009, the current law termination of the aging schools hold harmless grants after fiscal 2008, and inflation.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/rhh

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