

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 1283  
Appropriations

(Delegate Haynes, *et al.*)

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Baltimore City - Public School Construction - State Funding

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This bill freezes the State share of eligible school construction funds for Baltimore City at the fiscal 2009 level for two years. Any additional funds provided to Baltimore City may not result from a reduction in school construction funding for any other jurisdiction.

The bill takes effect July 1, 2008 and terminates June 30, 2011.

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Fiscal Summary

**State Effect:** None. The bill does not alter total State funding for school construction.

**Local Effect:** No effect on total State school construction revenues for Baltimore City, but the bill could reduce the number of school construction projects in Baltimore City that receive State funding in FY 2010 and 2011. Baltimore City expenditures for school construction in FY 2010 and 2011 could decrease by 3% or result in more school construction projects or other capital projects receiving local funding. No effect on State school construction revenues in other counties.

**Small Business Effect:** None.

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Analysis

**Current Law:** The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. Chapters 306 and 307 of 2004 (The Public School Facilities Act) require that the cost-share formulas be

recalculated every three years. The first recalculation occurred in 2007. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2006-2009 and for the three years beginning in fiscal 2010, following the 2007 recalculation. New rates are being phased in over two or three years for Calvert, Dorchester, Garrett, Harford, Queen Anne's, and Somerset counties because the 2007 recalculation resulted in a reduction of 5% or more in the State share of school construction costs compared with the fiscal 2006 to 2009 levels. As Exhibit 1 shows, the State share for Baltimore City drops from 97% to 94%. The new rates will be applicable to projects receiving State funding for the first time beginning in fiscal 2010.

Subject to the final approval of the Board of Public Works, IAC manages State review and approval of local school construction projects. Each year, local systems develop and submit to IAC a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. Subsequently, each local school system submits a capital improvement plan to IAC that includes projects for which it seeks planning approval, projects for which it seeks funding approval, and projects that the local system has forward funded.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, IAC determines which projects to recommend to BPW for State funding. By December 31 of each year, IAC recommends to BPW projects comprising 75% of the preliminary school construction allocation projected to be available. Local school districts may then appeal the IAC recommendations directly to BPW. By March 1 of each year, beginning in 2008, IAC recommends to BPW and the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, IAC recommends projects comprising the remaining school construction funds included in the enacted capital budget.

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**Exhibit 1**  
**State Share of Eligible School Construction Costs**  
**Fiscal 2006-2012**

<u>County</u>	<u>FY 2006-2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Allegany	90%	91%	91%	91%
Anne Arundel	50%	50%	50%	50%
Baltimore City	97%	94%	94%	94%
Baltimore	50%	50%	50%	50%
Calvert	69%	64%	61%	61%
Caroline	89%	86%	86%	86%
Carroll	65%	61%	61%	61%
Cecil	70%	75%	75%	75%
Charles	70%	77%	77%	77%
Dorchester	77%	72%	71%	71%
Frederick	72%	72%	72%	72%
Garrett	70%	65%	60%	59%
Harford	65%	60%	59%	59%
Howard	58%	61%	61%	61%
Kent	50%	50%	50%	50%
Montgomery	50%	50%	50%	50%
Prince George's	69-75%*	73%	73%	73%
Queen Anne's	70%	65%	60%	55%
St. Mary's	72%	75%	75%	75%
Somerset	97%	92%	88%	88%
Talbot	50%	50%	50%	50%
Washington	65%	73%	73%	73%
Wicomico	81%	87%	87%	87%
Worcester	50%	50%	50%	50%

\*For fiscal 2006-2008, the State share for Prince George's County is 75% for funding allocated up to \$35 million, and 69% for funding allocated in excess of \$35 million as required in law. The split share expired in June 2008 and for fiscal 2009 the State share for Prince George's County is 69%.

Source: Public School Construction Program

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**Background:** In January 2008, the Governor announced that \$333.4 million would be provided for public school construction in fiscal 2009, consisting of \$300.0 million in new bond authorizations, \$25.0 million in bond premiums, \$5.9 million in recycled contingency funds, and \$2.4 million in Stadium Authority funds. The *2008 Capital Improvement Program* includes \$250.0 million in new bond funding annually from fiscal 2010 through 2013.

At its January 30, 2008 meeting, BPW approved fiscal 2009 funding for four Baltimore City school construction and major renovation projects, three of which have received State funding in prior years. **Exhibit 2** provides funding histories for those four projects. The allocation for Dunbar High School completes the State’s funding commitment to the project.

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**Exhibit 2**  
**Baltimore City School Construction Projects Approved for**  
**Fiscal 2009 State Funding**

<u>Project</u>	<u>Total Cost</u>	<u>Prior State Funds</u>	<u>FY 09 State Funds</u>	<u>Total Approved State Funds</u>
Dunbar H.S.	\$32,330,000	\$20,600,000	\$5,704,000	\$26,304,000
Violetville E/M School	\$19,020,000	\$1,000,000	\$2,303,000	\$15,459,000
Carver Vo-Tech H.S.	\$44,259,000	\$23,907,000	\$10,400,000	\$36,011,000
Northwestern H.S.	\$864,000		\$775,000	\$775,000

Note: Does not include systemic renovation projects. IAC recommended an additional \$5 million at Violetville E/M on March 1, 2008.

Source: Public School Construction Program

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On March 1, 2008, IAC recommended approving a fifth project, Leith Walk Elementary/Middle School, for State funding. The recommendation includes providing \$1.9 million in State funds in fiscal 2009, out of a total State commitment of \$17.8 million. Also on March 1, IAC recommended giving planning approval to the Waverly Elementary/Middle School project. If BPW approves these recommendations, Waverly will join three other projects approved for planning in fiscal 2008 that have not received any State funds. Those projects are Arlington Elementary/Middle, Lyndhurst Elementary/Middle, and Garrett Heights Elementary/Middle.

**State Fiscal Effect:** State funding for school construction is set in the capital budget approved by the Governor and the General Assembly. The bill does not require any increase in State school construction funding, so it will have no effect on State expenditures.

**Local Fiscal Effect:** The bill would maintain the State share of Baltimore City school construction projects approved for fiscal 2010 and 2011 funding at 97% instead of the recalculated level of 94%. It would have no effect on the four (potentially five) school construction projects that have already received State funds or will receive fiscal 2009 funds because the State share for those projects, calculated using the higher 2006-09 formula, would not change.

Assuming no increase in State school construction spending and considering the bill's prohibition on reducing school construction allocations for other jurisdictions, the bill would not increase Baltimore City revenue from the State for school construction. Instead, it could result in fewer Baltimore City projects being approved for State funding in fiscal 2010 and 2011.

As indicated above, there are four Baltimore City projects that are or could be eligible for State funding in fiscal 2010 that would not have already received prior funding. **Exhibit 3** summarizes the potential impact of this bill on State funding for those four projects.

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**Exhibit 3**  
**Baltimore City School Construction Projects with Planning Approval**

	<b>Projected Total Cost</b>	<b>State Share of Eligible Costs</b>		<b>Difference</b>
		<b>97%</b>	<b>94%</b>	
Arlington	\$9,260,000	\$7,977,000	\$7,737,690	\$239,310
Garrett Heights	5,029,000	4,410,000	4,277,700	132,300
Lyndhurst	4,653,000	4,056,000	3,934,320	121,680
Waverly*	20,175,000	15,210,000	14,753,700	456,300
<b>Total</b>				<b>\$949,590</b>

\*Waverly has been recommended for planning approval by IAC.

Source: Public School Construction Program

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Assuming these projects are approved for State funding in fiscal 2010, the \$949,590 in additional State funds allocated to these four projects under the 97% State share would then not be available to fund other Baltimore City school construction and renovation projects in fiscal 2010 or 2011. At the same time, Baltimore City expenditures on school construction could decline by the same amount or be reallocated to other school construction or capital projects.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 7, 2008  
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