

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 85 (Senator Glassman)
Budget and Taxation

School Construction - State Superintendent Approval - Exemption

This bill exempts new school construction and renovation projects that have not and will not receive State funds from required prior approval by the State Superintendent of Schools.

Fiscal Summary

State Effect: None. The bill applies only to school construction projects that have not and will not receive State funds.

Local Effect: The bill could lead to marginal increases in the efficiency of locally funded school construction projects that do not receive State funds by removing them from the State approval process. However, those efficiencies could be offset to the extent that school construction projects that proceed without State funds or approval do not abide by the State's school design specifications, potentially leading to more change orders that increase construction costs.

Small Business Effect: None.

Analysis

Current Law: Regardless of whether State funds are used, the State Superintendent of Schools must approve or disapprove each:

- proposal for the purchase or sale of any ground, school site, or building;

- plan or specification for the remodeling of a school building if the remodeling costs more than \$350,000;
- plan or specification for the construction of a new school building; and
- change order that costs more than \$25,000 for the remodeling, restoration, or construction of a school building.

In reviewing local education agency (LEA) planning approval requests for school construction projects, the Interagency Committee on School Construction (IAC) considers multiple factors, including the:

- extent to which seven-year enrollment projections exceed State-rated capacity standards;
- number of students who receive special education services, are eligible for free and reduced price meals, or who are English language learners; and
- adequacy of maintenance programs.

Once approved by IAC, school construction projects are also required to conform to State guidelines for competitive procurement and energy usage, and are subject to IAC reviews of their educational specifications, schematic designs, design development documents, and construction documents. School construction projects receiving State funding are subject to additional requirements.

Background: In its 2004 report, the Task Force to Study Public School Facilities recommended that alternatives to traditional bond financing be permitted in limited circumstances. New regulations adopted in 2007 permit counties or LEAs to pursue alternative financing arrangements, including lease-leasebacks, sale-leasebacks, performance-based contracting, public-private partnerships, and donations or gifts. However, the regulations require that school construction projects that secure alternative financing must still be approved by the State Superintendent or IAC.

IAC is aware of only one current school construction project that is proceeding without State school construction funding, although it secured IAC approval, as required by current law. The Barbara Ingram School for the Arts, located in Hagerstown, is the first school construction project in the State to pursue and receive alternative school financing under the new regulations. It secured private, tax-exempt lease-purchasing financing totaling \$8.32 million for construction costs and is expected to open for the start of the 2009-10 school year. Total project cost is estimated to be \$10.6 million. Washington County has not requested State school construction funding for the project to date; however, State funding to reimburse a portion of the construction costs could be requested in the future. The project is eligible for approximately \$1.4 million in State

Historic Tax Credits; additional State funds are being sought from State development grants and bond bills.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mcp/rhh

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