

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 960
Ways and Means

(Prince George's County Delegation)
Education, Health, and Environmental Affairs

Prince George's County - Board of Education - Expenditures
PG 407-09

This emergency bill enables elected members of the Prince George's County Board of Education to receive health insurance and other fringe benefits regularly provided to board employees. This provision does not apply to members whose last election was before November 2010.

The bill also prohibits the county board of education from expending funds for the purpose of leasing, acquiring, or purchasing property under or in connection with a specified lease for consolidation of the board's administrative offices.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County FY 2009 expenditures increase by \$4.8 million to pay a settlement penalty for severing a lease-purchase agreement for the use of office space by board of education administrative units. However, this will be largely mitigated by the avoidance of anticipated one-time relocation costs exceeding \$3.6 million. Also, local education expenditures in Prince George's County may increase by \$25,200 in FY 2011 and by \$43,200 annually beginning in FY 2012. The actual impact depends on the number of board members who take advantage of the benefits, the type of health insurance a board member chooses, and whether the county board of education decides to provide its members with the additional benefits. Revenues are not affected.

Small Business Effect: None.

Analysis

Current Law: The Prince George's County Board of Education consists of nine elected members as well as one nonvoting student member. The board chair receives an annual salary of \$19,000, while other board members (except the student member, who receives no salary) receive an annual salary of \$18,000. All members are entitled to a maximum of \$7,000 per fiscal year in allowances for travel and other expenses, as provided in the county budget. The term of office for an elected board member begins on the first Monday of December after the member's election.

Background: In June 2008, the Prince George's County Board of Education entered into a 10-year, \$36 million lease agreement, with an option to buy the property, for the board's occupancy of office buildings known as Washington Plaza I and II. This agreement was a component of a planned consolidation of 15 administrative units (including the board) from 5, to 2 locations (with 11 offices to be moved to the Washington Plaza location.)

Exhibit 1 shows expenses related to the planned move of offices to the Washington Plaza location that have been paid by the board, as of April 30, 2009.

Exhibit 1 Washington Plaza I & II – Expenses as of April 30, 2009

<u>Category</u>	<u>Amount</u>
Rent	\$2,887,500
CAM Charges*	802,887
Construction/Architect	890,517
IT-related expenses**	1,607,508
Outside Legal Counsel	91,272
Total	\$6,279,684

* CAM = Common Area Maintenance, Real Estate Taxes, Insurance, etc.

** Phone system, generator, network switches, and wiring.

Source: Prince George's County Public Schools

Washington Plaza I and II consists of a six-floor and a five-floor building. The county board of education advises that its construction costs to date have resulted in the complete renovation of one floor and the demolition of another floor, in anticipation of its renovation.

Local Fiscal Effect: The current cost for fringe benefits, including health insurance, for the average board employee is approximately \$4,800. Assuming this average applies to board members and depending on whether the county board decides to provide its members with the same benefits, Prince George's County expenditures will increase by an estimated \$25,200 in fiscal 2011, which reflects the seven-month period from December 2010 through June 2011. Under the same assumptions, county expenditures will increase by an estimated \$43,200 annually, beginning in fiscal 2012.

The county board of education will discontinue its lease agreement for the occupancy of the Washington Plaza offices and pay a settlement penalty of \$4.8 million. This eliminates one-time relocation costs associated with the planned move, including \$2.5 million for additional parking spaces at the location, \$800,000 for a wiring/wireless network and IT Training Center, and over \$300,000 in other relocation expenses.

Because the county board will not pursue its move to Washington Plaza, county expenditures will decline by the equivalent of the annual basic rent escalating from \$3.2 million in year 2 of the agreement to \$4.1 million in year 10. The bill does not prevent the county board from reaching a new agreement for the lease/purchase of the Washington Plaza offices or from entering into an agreement for the use of space elsewhere.

The board estimates that its net annual savings associated with moving to the Washington Plaza location would have, after a two-year transition period, amounted to \$390,000. Additionally, foregoing the move to Washington Plaza may necessitate renovations to two of its current administrative buildings (the Bonnie Johns and the Sasscer buildings) at an annual cost of \$2 million, though it is not known when or whether such renovations will occur.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2009
ncs/mwc Revised - House Third Reader - March 31, 2009
Revised - Enrolled Bill - May 20, 2009

Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510