

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 958
Appropriations

(Prince George's County Delegation)

**Prince George's County - Public School Construction - Joint Signature Letter
and State Funding
PG 404-09**

This bill prohibits the governing body of Prince George's County from submitting its annual joint signature letter to the Interagency Committee on School Construction (IAC) unless the letter has been signed by the Senate and House chairs of the county delegation to the General Assembly. It also requires the Board of Public Works (BPW) to include planning and design costs as eligible costs for the State share of public school construction or capital improvement funding in Prince George's County.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None. The bill does not alter total State funding for school construction but may reduce the number of school construction projects that receive State funding. BPW can handle the bill's requirements with existing resources.

Local Effect: Increased State funding for planning and design costs related to local school construction projects in Prince George's County allows the county to reallocate local capital funds to other uses beginning in FY 2011. However, some local school construction and renovation projects in Prince George's and other counties may be delayed due to fewer projects receiving State funding. The requirement for additional signatures on the submission letter may delay the submission of Prince George's County's annual capital improvement plan to IAC.

Small Business Effect: None.

Analysis

Current Law:

Public School Construction Program: 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.

Subject to the final approval of BPW, 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. The master plan must be approved by the local school board. 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. In addition to approval from the local school board, the capital improvement plan must be approved by the county's governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county council president or chair of the board of county commissioners.

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 for BPW approval.

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

Eligible School Construction Costs: The Code of Maryland Regulations (COMAR) identifies the following school construction costs as being eligible for State funding:

- construction of a new facility, including building and site development;
- additions to an existing facility, including building and site development and work to physically integrate the addition into the existing building;
- replacement of a building or portion of a building, including building and site development;
- modular construction that meets standards set forth in State regulations;
- renovation of a school building, including systemic renovations as defined in State regulations;
- State-owned relocatable classrooms;
- temporary facilities that are necessary during construction of a State-funded project;
- built-in equipment;
- off-site development costs required by State, local, or federal agencies; and
- emergency repairs as defined in State regulations.

COMAR also designates certain school construction costs as being ineligible for State funding, among them site acquisition costs; off-site development costs except those required by State, local, or federal agencies; and architectural, engineering, or other consultant fees, unless they are for innovative project designs.

Background: Project planning activities that determine the project scope and location are generally carried out by local school system staff, with the exception of feasibility studies to determine the viability of proposed building sites. Design work is typically carried out by architectural and engineering consultants. At its inception in 1971, the Public School Construction Program allowed State funds to be used to reimburse local school systems for design fees. A few years later, those costs became ineligible for State funding so that State resources could be used to fund a wider range of projects, specifically systemic renovations (*e.g.*, heating/cooling systems, windows, and roofs). In fiscal 2009, the Public School Construction Program funded 40 systemic renovations at a total cost of \$24.7 million.

The Governor's 2009 *Capital Improvement Program* includes \$260 million in general obligation bonds for school construction in fiscal 2010 and projects funding levels of \$250 million for each of the next four fiscal years.

In fiscal 2009, and for fiscal 2010 to date, BPW has not approved any of Prince George's County's 19 requests for planning approval.

Local Fiscal Effect: On average, planning and design costs account for approximately 5% of total school construction project costs. Requiring the State to share those costs currently borne entirely by Prince George's County allows the county to reallocate local resources to other uses. The precise effect on Prince George's County cannot be estimated reliably because of the annual variation in size and scope of school construction projects initiated by the county. As noted above, the county has not received planning approval for any new projects in the last two years, so the bill would have had no impact had it been in effect at the time. The State capital budget bill takes effect June 1, so the bill applies to public school construction funding beginning in fiscal 2011.

To the extent that State funds pay for a portion of future planning and design costs for Prince George's County, fewer funds are available for other projects. Therefore, the total number of school construction and renovation projects that receive State funds is likely to be reduced, which may cause some local school construction and renovation projects to be delayed. Systemic renovation projects are most likely to be affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Public School Construction Program, Department of Legislative Services

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ncs/rhh

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