

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1391
Appropriations

(Delegate Conway, *et al.*)

Budget and Taxation

Public School Construction Program - Maryland School for the Blind

This bill makes the Maryland School for the Blind (MSB) eligible for funding from the State's Public School Construction Program (PSCP) from fiscal 2013 through 2028. The Board of Public Works (BPW) must develop regulations to implement the bill's requirements. PSCP funding for MSB does not affect funds allocated to Baltimore City or Baltimore County for school construction or capital improvements. The bill does not preclude MSB from receiving other funds allocated to it under the State's capital budget.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: No direct effect on State funds available for local school construction through PSCP, as total funding is established annually through the capital budget process. PSCP can handle any increase in its workload with existing budgeted resources. No effect on revenues.

Local Effect: To the extent that PSCP funding is provided to MSB for capital construction projects, less funding is available for school construction projects in local jurisdictions through FY 2028.

Small Business Effect: None.

Analysis

Current Law: All property granted, conveyed, devised, or bequeathed for the use of a particular public school or school system must be held in trust for the benefit of the

school or system by the appropriate county or county school board, including Baltimore City. However, a private entity that holds title to school property may receive PSCP funding for the property only if the private entity is contractually obligated to transfer title to a county board of education on a specified date. The bill explicitly exempts MSB from this statutory provision.

Although MSB is a private, nonprofit corporation, its governance and a substantial portion of its financing are established in State law, which requires that 5 members of the school's 25-member Board of Directors be appointed jointly by the Governor and State Superintendent, including 1 member each from the State Senate and House of Delegates. The school serves students who cannot be educated in their local education agencies and would otherwise require out-of-state placements. Therefore, State law requires that the cost of providing services to students be shared by the State and the county in which the student resides. Statute also provides for mandated State funding for the school using a formula that takes into account prior-year funding levels and the school's enrollment growth.

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. The Public School Facilities Act (Chapters 306 and 307 of 2004) requires that the cost-share formulas be recalculated every three years. The first recalculation occurred in 2007, and the second recalculation occurred in 2010. The bill does not specify a cost-sharing formula for MSB; presumably, that will be set in regulation by BPW.

Subject to the final approval of BPW, the Interagency Committee on School Construction (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, 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.

Background: MSB is a private, nonprofit statewide educational and resource center located in northern Baltimore City that serves students referred by all 24 school systems. Its programs include residential, day, and outreach services. In fiscal 2011, the school served a total of 850 students, including 93 in its residential program and 91 in its day program. Its total fiscal 2011 operating budget was approximately \$25.0 million, with more than two-thirds provided by a State grant of almost \$18.0 million. The Governor's proposed fiscal 2013 State operating budget includes a grant of \$18.1 million for MSB operating expenses.

Virtually all of the buildings on the MSB campus are more than 40 years old and, therefore, do not meet the requirements of the Americans with Disabilities Act (ADA). Over the years, the school has seen its student population evolve to include a majority of students with multiple disabilities, yet the school's bathrooms and hallways do not accommodate wheelchairs. The school's Master Plan, approved by its board in 2010, currently calls for \$135.1 million in new construction, renovation, and repair for many of the school's 35 buildings.

MSB received \$4.0 million in State capital funds in fiscal 2012, and the proposed fiscal 2013 State capital budget includes an additional \$5.0 million grant to the school. Both grants are to support the design and construction of the Learning in Functional Environments (LIFE) building, a 42,000-square-foot modern classroom building that complies with ADA and, with the inclusion of a medical suite and therapy rooms, is designed specifically to meet the needs of the school's student population. The initial grant for the LIFE building included a \$1.0 million matching requirement, and the fiscal 2013 grant includes a \$1.8 million matching requirement. The school has been using funds from its endowment to cover the matching requirements, but it is also exploring alternative financing and funding sources.

State Fiscal Effect: The bill has no direct effect on total State funding for school construction, which is established annually through the State's capital budget process. The proposed fiscal 2013 State capital budget includes \$351.4 million for PSCP, the second highest level in the program's history. PSCP can handle any increase in the number of project funding requests and project oversight responsibilities prompted by the bill with existing budgeted resources.

Local Fiscal Effect: To the extent that MSB receives funding for building construction or renovation through PSCP, less funding is available for school construction projects in local jurisdictions through fiscal 2028. The school's current capital needs are estimated to be \$135.1 million, which may include a share paid by the school, over the 16-year period covered by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works, Department of Budget and Management, Maryland State Department of Education, Department of General Services, Maryland School for the Blind, Public School Construction Program, Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2012
ncs/rhh

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