

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

Senate Bill 197 (Senator McFadden)
 Budget and Taxation

Sales and Use Tax - Distribution of Revenues - Public School Construction

This bill establishes a Public School Construction Financing Fund, administered by the Board of Public Works (BPW), for the purpose of financing public school construction. The bill requires the Comptroller to distribute \$47.5 million of State sales and use tax revenue annually to the fund, and specifies the amounts dedicated to local jurisdictions for school construction projects.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: General fund revenues decrease by \$47.5 million, and special fund revenues and expenditures increase by \$47.5 million annually beginning in FY 2013.

(\$ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF Revenue	(\$47.5)	(\$47.5)	(\$47.5)	(\$47.5)	(\$47.5)
SF Revenue	\$47.5	\$47.5	\$47.5	\$47.5	\$47.5
SF Expenditure	\$47.5	\$47.5	\$47.5	\$47.5	\$47.5
Net Effect	(\$47.5)	(\$47.5)	(\$47.5)	(\$47.5)	(\$47.5)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapters 571 and 572 of 2011 increased the State sales and use tax rate imposed on alcoholic beverages from 6% to 9%. Chapter 572 required a supplementary appropriation of \$47.5 million in fiscal 2012 for public school construction projects in local jurisdictions. BPW was required to approve the individual projects for each local jurisdiction. Chapter 571 required a supplementary appropriation of \$15.0 million in fiscal 2012 to be used to fund a Waiting List initiative for the Developmental Disabilities Administration.

Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.0 billion in both fiscal 2012 and 2013, according to the December 2011 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1 Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0%
District of Columbia	6%
Maryland	6% 9% for alcoholic beverages
Pennsylvania	6% plus 1% in certain local jurisdictions 0% sales tax on clothing
Virginia	5%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; 2% for food

State Fiscal Effect: General fund revenues will decrease by \$47.5 million annually beginning in fiscal 2013 due to the required distribution to the Public School Construction Financing Fund established by the bill.

As a result, special fund revenues for the Public School Construction Financing Fund established by the bill will increase by \$47.5 million annually beginning in fiscal 2013 and special fund expenditures for public school construction projects will increase by the same amount. BPW must approve projects, which may or may not be eligible for

funding under the Public School Construction Program. In approving funding for projects, BPW must consider requests from the local jurisdictions and projects that (1) benefit older school buildings; (2) benefit schools with high proportions of children eligible for free and reduced price meals; (3) can be completed within one year; (4) eliminate or reduce the use of relocatable classrooms; (5) are designated as A or B by the Interagency Committee on Public School Construction and are not fully funded in the *Capital Improvement Program* approved by BPW; or (6) reduce energy consumption or incorporate high-performance “green” building principles. **Exhibit 2** shows the required funding amount for each jurisdiction and/or region and compares the required funding amount on a per pupil basis.

Exhibit 2
Additional State Funding for Public School Construction
Fiscal 2013

<u>County</u>	<u>Amount</u>	<u>Per Pupil Amount</u>
Anne Arundel	\$5,000,000	\$67.29
Baltimore City	9,000,000	114.11
Baltimore	7,000,000	69.11
Eastern Shore ¹	1,250,000	27.02
Howard	4,000,000	79.24
Montgomery	9,000,000	63.08
Northeast Maryland ²	1,250,000	23.74
Prince George’s	9,000,000	76.27
Southern Maryland ³	1,250,000	21.28
Western Maryland ⁴	750,000	7.49
Total	\$47,500,000	\$57.68

¹Eastern Shore includes Caroline, Dorchester, Kent, Queen Anne’s, Somerset, Talbot, Wicomico, and Worcester counties.

²Northeast Maryland includes Cecil and Harford counties.

³Southern Maryland includes Calvert, Charles, and St. Mary’s counties.

⁴Western Maryland includes Allegany, Carroll, Frederick, Garrett, and Washington counties.

The bill specifies that money expended from the fund for public school construction is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for public school construction.

The proposed fiscal 2013 capital budget includes \$351.4 million in general obligation bonds for public school construction (\$50 million of which is restricted for energy

reduction/savings infrastructure projects). The capital budget also includes another \$15.3 million in qualified zone academy bonds and \$6.1 million for the Aging Schools Program. **Exhibit 3** shows the level of State funding for public school construction projects in each jurisdiction since fiscal 2003.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 6, 2012
mlm/jrb

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Exhibit 3
State Funding for Public School Construction
(\$ in Thousands)

County	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	10-year Total
Allegany	\$0	\$240	\$125	\$12,000	\$18,650	\$412	\$0	\$0	\$842	\$603	\$32,872
Anne Arundel	8,831	7,662	7,329	19,457	22,675	27,827	27,420	25,020	26,200	27,400	199,821
Baltimore City	13,840	11,151	11,483	21,523	39,436	52,665	41,000	27,733	28,559	32,000	279,390
Baltimore	12,470	11,541	11,563	25,218	35,053	52,250	40,985	28,000	29,000	32,000	278,080
Calvert	10,891	6,600	7,344	3,437	2,723	12,644	7,824	8,181	8,450	6,907	75,001
Caroline	1,055	1,175	269	4,699	2,935	2,426	8,100	6,000	3,767	86	30,512
Carroll	8,534	6,538	6,768	7,434	8,282	8,219	11,741	10,520	8,444	8,905	85,385
Cecil	0	5,023	8,246	8,656	8,271	9,533	2,674	1,538	1,744	2,414	48,099
Charles	10,598	6,463	6,400	8,267	10,200	13,170	11,704	8,898	8,335	8,630	92,665
Dorchester	3,268	177	991	656	872	6,137	10,400	6,469	5,436	3,502	37,908
Frederick	11,525	10,380	9,657	11,910	17,942	18,728	14,759	16,226	14,000	16,300	141,427
Garrett	2,395	984	1,098	1,507	1,235	6,243	3,020	666	0	333	17,481
Harford	6,181	5,356	7,439	8,287	11,096	16,238	14,751	16,253	13,835	16,206	115,641
Howard	12,356	9,254	8,800	15,273	17,808	23,206	18,265	18,262	18,290	22,936	164,450
Kent	550	345	555	2,000	3,479	1,335	0	388	0	0	8,652
Montgomery	18,000	10,584	9,036	30,431	40,040	52,297	53,312	28,350	30,183	33,000	305,234
Prince George's	18,000	12,763	10,174	29,833	37,425	52,250	41,000	28,200	29,500	31,348	290,493
Queen Anne's	5,000	3,004	338	6,897	3,000	3,925	4,951	3,947	5,750	5,195	42,007
St. Mary's	7,443	3,989	5,883	3,271	5,495	9,806	7,266	4,028	6,600	3,064	56,845
Somerset	0	163	3,612	14,300	12,022	5,153	0	6,000	6,000	3,257	50,507
Talbot	0	0	0	2,422	2,405	2,038	0	436	344	0	7,645
Washington	1,361	2,003	2,375	6,431	4,478	8,970	9,368	7,965	7,970	8,400	59,321
Wicomico	2,684	729	3,993	7,616	4,178	8,143	12,960	13,170	9,975	1,597	65,045
Worcester	1,518	376	2,400	2,241	6,872	8,213	5,483	403	0	0	27,506
Statewide	0	0	0	0	6,100	0	0	0	500	47,500	54,100
Total	\$156,500	\$116,500	\$125,878	\$253,766	\$322,672	\$401,828	\$346,983	\$266,653	\$263,724	\$311,583	\$2,566,087

Source: Public School Construction Program; Department of Legislative Services