

**Department of Legislative Services**  
 Maryland General Assembly  
 2018 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 611

(Senator Conway, *et al.*)

Education, Health, and Environmental Affairs

Appropriations

**Education – Healthy School Facility Fund – Established**

This emergency bill establishes the Healthy School Facility Fund within the Interagency Committee on School Construction (IAC) to provide grants to public schools to improve the health of school facilities. The Governor must appropriate \$30.0 million for the fund in fiscal 2020 and 2021, which must be in addition to funds that would otherwise be appropriated for public schools. IAC must administer the grant program.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$38,300 in FY 2019 to administer the grant program and by \$30.0 million in each of FY 2020 and 2021 to provide grants. Special fund revenues and expenditures increase commensurately in FY 2020 and 2021. All revenues and expenditures terminate in FY 2022. **This bill establishes a mandated appropriation in FY 2020 and 2021 only.**

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$0	\$0	\$30,000,000	\$30,000,000	\$0
GF Expenditure	\$0	\$38,300	\$30,062,700	\$30,064,900	\$0
SF Expenditure	\$0	\$0	\$30,000,000	\$30,000,000	\$0
Net Effect	\$0	(\$38,300)	(\$30,062,700)	(\$30,064,900)	\$0

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

**Local Effect:** Local school systems are eligible for competitive grants from the fund, but they likely must pay a portion of project costs for any grant they receive.

**Small Business Effect:** Minimal.

## Analysis

### Bill Summary:

#### *Healthy School Facility Fund*

The fund is a special nonlapsing fund. The Treasurer must hold the fund and invest its assets in the same manner as other State money, and the Comptroller must account for the fund. It consists of money appropriated in the State budget, interest earnings, and any other money from any other source. Expenditures from the fund may be made only as provided in the State budget and are supplemental to and not intended to take the place of funding that may otherwise be appropriated to public schools.

#### *Grants From the Fund*

IAC must give priority in awarding grants to schools based on the severity of issues in the school, including (1) air-conditioning (AC); (2) heating; (3) indoor air quality; (4) mold remediation; (5) temperature regulation; (6) plumbing; and (7) windows. IAC must establish application procedures for school systems to request grants and additional procedures to make awards from the fund not more than 45 days after receiving an application.

No jurisdiction may receive more than \$15.0 million in a given fiscal year, and the total amount of a grant is not required to cover the full cost of a project.

**Current Law/Background:** For a complete description of State support for public school construction, please see the **Appendix – State Funding for Public School Construction**.

A survey conducted in January 2016 by the Maryland State Department of Education found that all but four school systems had AC (including window units) in at least 95% of their schools (the figures for Baltimore City did not include schools with window units). The four exceptions were Baltimore City (59%) and Baltimore (72%), Garrett (31%), and Wicomico (88%) counties. The survey did not include schools where AC work was underway, so the number is likely lower now, as those projects have been completed. Combined, Baltimore City and Baltimore County had 114 schools without AC, while Garrett and Wicomico counties had just 12 combined. Updated data for Baltimore County and Baltimore City from 2017 show that a substantial number are in the process of having AC installed, and with just 1 exception in Baltimore City, all schools are projected to have AC within three years. Of the 74 schools in Baltimore City without AC, 4 are scheduled to be closed, and 15 are charter schools that the school system does not own.

In January 2018, all public schools in Baltimore City were closed for one day due to heating outages that left students in unheated classrooms as a result of the extremely cold weather and aging facilities. About 60 public school buildings were closed for more than one day due to lack of heating and related problems such as burst pipes. A total of 80 buildings were impacted by the extreme weather conditions. Baltimore City Public Schools estimates capital needs of \$100 million to address heating, ventilation, and air-conditioning-related needs for the 80 impacted buildings.

**State Fiscal Effect:** The bill requires the Governor to include \$30.0 million in the budget for the fund in fiscal 2020 and 2021.

The bill adds a new grant program that IAC must administer that likely involves processing a substantial volume of grant applications. In addition, IAC must establish procedures that prioritize grant awards based on local needs and make grants within 45 days of receiving applications. IAC lacks sufficient staff and expertise to carry out these tasks and requires additional staff support. Although grant funding does not begin until fiscal 2020, this analysis assumes that additional staffing is necessary beginning in fiscal 2019 to develop application procedures, establish funding criteria, and begin processing grant applications.

Therefore, general fund expenditures increase by \$38,296 in fiscal 2019, which assumes that the new contractual staff person is in place by January 1, 2019. This estimate reflects the cost of hiring a contractual environmental engineer to establish grant priorities based on the severity of local needs and to assist in processing and assessing grant requests. It includes a salary, fringe benefits, and operating expenses. The contractual position terminates in fiscal 2022.

Contractual Position	1
Salary and Fringe Benefits	\$33,093
Operating Expenses	<u>5,203</u>
<b>Total FY 2019 State Expenditures</b>	<b>\$38,296</b>

Future year expenditures reflect annual salary increases and employee turnover and ongoing operating expenses. This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education; Interagency Committee on School Construction; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2018  
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# Appendix – State Funding for Public School Construction

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## *School Construction Review and Approval Process*

Subject to the final approval of the Board of Public Works (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 and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year 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 executive and 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 makes recommendations to BPW on which projects to fund. By December 31 of each year, IAC must recommend to BPW projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school boards may then appeal the IAC recommendations directly to BPW. By March 1 of each year, IAC must recommend 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, no earlier than May 1.

## *Eligible School Construction Costs*

IAC establishes a range of appropriate per student, square foot allocations for elementary, middle, and high schools as well as for special education students, career and technology students, and specialized programs. IAC also establishes, on an annual basis, a *cost per square foot* that is applicable to major school construction projects. For fiscal 2019, the cost per square foot is \$302 for new construction *without* site development (up from \$293 in fiscal 2018) and \$360 for new construction *with* site development (up from \$348.67 in fiscal 2018). In general, multiplying the cost per square foot allocation by the allowable

square feet (based primarily on the State-rated capacity of a building) yields the maximum allowable cost that is subject to the State/local cost-share formula.

The cost of acquiring land may not be considered an eligible construction cost and may not be paid by the State. Otherwise, BPW regulations specify public school construction-related costs that are eligible and ineligible for State funding. In general, the following costs are included among eligible expenses:

- construction of a new facility, a renovation of a new facility, an addition to an existing facility, or a replacement of an existing building or building portion (*i.e.*, “bricks and mortar”);
- building and site development;
- modular construction that meets specified standards;
- State-owned relocatable facilities and temporary facilities that are required to be on site during construction; and
- built-in equipment and furnishings.

Beginning in fiscal 2018, BPW approved the use of State funding for window air-conditioning units and associated electrical upgrades, installation, and security in schools where more than one-half of the classrooms are not temperature controlled.

Among the major items that explicitly are *not* eligible for State funding (besides site acquisition) are (1) architectural, engineering, and other consulting fees; (2) master plans and feasibility studies; (3) projects or systemic renovations for buildings and systems that have been replaced, upgraded, or renovated within the last 15 years; and (4) movable equipment and furnishings.

### *State Share of Eligible Costs*

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 formula be recalculated every three years. The first recalculation occurred in 2007, the second recalculation occurred in 2010, and the third was completed in 2014. The most recent recalculation was completed in 2017. IAC recommended updating the formula for the next three years, but BPW approved new cost shares *only* for fiscal 2019, which held harmless several jurisdictions that otherwise would have experienced a decrease in State support based on the 2017 recalculation of the formula. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2017 through 2019, as approved by BPW.

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**Exhibit 1**  
**State Share of Eligible School Construction Costs**  
**Fiscal 2017-2019**

<b>County</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Allegany	83%	83%	85%
Anne Arundel	50%	50%	50%
Baltimore City	93%	93%	93%
Baltimore	52%	52%	56%
Calvert	53%	53%	53%
Caroline	80%	80%	81%
Carroll	59%	59%	59%
Cecil	63%	63%	66%
Charles	61%	61%	61%
Dorchester	76%	76%	76%
Frederick	64%	64%	64%
Garrett	50%	50%	50%
Harford	63%	63%	63%
Howard	55%	55%	55%
Kent	50%	50%	50%
Montgomery	50%	50%	50%
Prince George's	63%	63%	70%
Queen Anne's	50%	50%	51%
St. Mary's	58%	58%	58%
Somerset	100%	100%	100%
Talbot	50%	50%	50%
Washington	71%	71%	71%
Wicomico	97%	97%	97%
Worcester	50%	50%	50%
MD School for the Blind	93%	93%	93%

Source: Interagency Committee on School Construction

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Chapters 306 and 307 also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. The State achieved the \$2.0 billion target ahead of schedule, and Public School Construction Program (PSCP) funding has remained above the \$250.0 million target each year since. **Exhibit 2** shows annual State public school construction funding from fiscal 2010 through 2018, by county.

The Governor's proposed fiscal 2019 budget includes \$309.0 million in general obligation (GO) bonds and \$4.9 million in general funds for PSCP and an additional \$40.0 million in GO bonds for a supplemental grant program for school systems that have high enrollment growth or a large number of relocatable classrooms, as established by statute. The fiscal 2019 *Capital Improvement Program* includes \$280.0 million annually for PSCP in fiscal 2020 through 2023 and \$40.0 million annually for the supplemental grant program.

**Exhibit 2**  
**State Public School Construction Funding**  
**Fiscal 2010-2018**  
**(\$ in Thousands)**

County	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY2015	FY 2016	FY 2017	FY 2018
Allegany	\$0	842	\$727	\$1,999	\$2,496	\$6,597	\$10,837	\$24,242	12,873
Anne Arundel	25,020	26,200	32,400	33,349	34,870	36,200	39,419	42,598	36,829
Baltimore City	27,733	28,559	41,000	46,102	39,478	35,329	36,788	37,500	37,303
Baltimore	28,000	29,000	39,000	47,394	52,068	34,561	42,177	45,775	45,186
Calvert	8,181	8,450	7,317	7,129	5,577	2,653	1,500	9,964	14,575
Caroline	6,000	3,767	235	756	7,788	0	2,902	36	1,646
Carroll	10,520	8,444	9,079	15,211	4,874	3,915	6,415	3,418	3,853
Cecil	1,538	1,744	2,830	1,915	1,268	8,194	4,723	6,650	6,730
Charles	8,898	8,335	9,180	12,480	9,426	8,200	12,817	8,951	10,516
Dorchester	6,469	5,436	3,639	979	1,590	768	179	5,009	10,975
Frederick	16,226	14,000	16,532	19,254	20,163	15,901	21,000	21,295	19,564
Garrett	666	0	382	319	134	0	0	0	1,567
Harford	16,253	13,835	17,040	16,573	13,214	12,791	9,309	8,732	13,592
Howard	18,262	18,290	26,936	32,811	25,931	20,772	27,820	31,206	21,066
Kent	388	0	104	123	95	817	615	0	0
Montgomery	28,350	30,183	42,000	43,794	38,592	39,950	45,708	50,128	59,194
Prince George's	28,200	29,500	40,348	42,192	39,371	38,539	41,729	44,675	49,625
Queen Anne's	3,947	5,750	5,374	649	4,371	5,112	0	249	2,455
St. Mary's	4,028	6,600	3,354	3,172	7,472	11,876	7,015	1,273	815
Somerset	6,000	6,000	3,371	289	3,811	2,752	2,222	1,771	14,720
Talbot	436	344	135	35	634	0	308	0	0
Washington	7,965	7,970	8,571	9,117	8,494	7,467	8,404	4,847	2,592
Wicomico	13,170	9,975	1,864	11,290	13,327	10,991	7,440	10,373	11,847
Worcester	403	0	165	166	4,882	0	72	0	0
MD School for the Blind				2,800	6,063	14,733	8,616	6,000	9,376
Statewide		500		100	500	660	175	300	500
<b>Total</b>	<b>\$266,653</b>	<b>\$263,724</b>	<b>\$311,583</b>	<b>\$349,997</b>	<b>\$347,277</b>	<b>\$318,778</b>	<b>\$338,190</b>	<b>\$364,992</b>	<b>\$387,399</b>
<b>Amount Over \$250M</b>	<b>\$16,653</b>	<b>\$13,724</b>	<b>\$61,583</b>	<b>\$99,997</b>	<b>\$97,277</b>	<b>\$68,778</b>	<b>\$88,190</b>	<b>\$114,992</b>	<b>\$137,399</b>

Note: Includes new general obligation bonds, pay-as-you-go funds, and reallocated funds that were previously authorized. Counties receiving \$0 did not request any eligible projects to be funded in that year. Fiscal 2016-2018 include funds allocated for the Enrollment Growth and Relocatable Classroom program totaling \$20 million in fiscal 2016, \$40 million in fiscal 2017, and \$62.5 million in fiscal 2018. Fiscal 2017 total for Baltimore County includes \$5 million withheld by the Board of Public Works and later reauthorized by the General Assembly in fiscal 2018.

Source: Interagency Committee on School Construction; Department of Legislative Services