

**Workgroup on the Assessment and Funding of School Facilities**  
*Delegate Maggie McIntosh, Chair*

**Agenda**  
October 20, 2021  
3:00 p.m.  
Virtual Meeting

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**I. Call to Order and Opening Remarks**

**II. Discussion of State Facilities Assessment**

**III. Cost Share Formula**

Michael Rubenstein, Principal Analyst, Department of Legislative Services

**IV. Revolving Loan Fund**

Michael Rubenstein, Principal Analyst, Department of Legislative Services

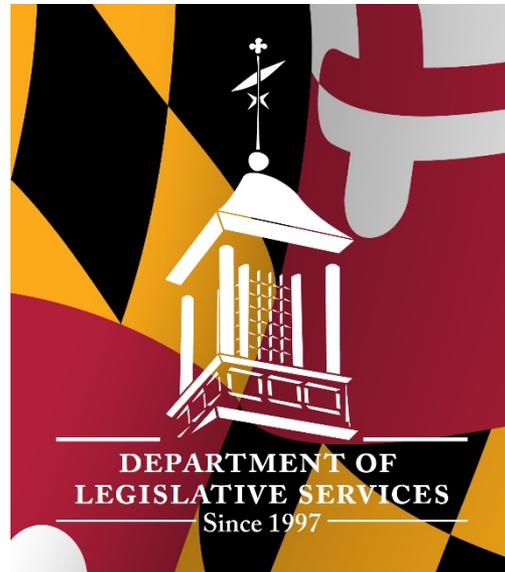
**V. Closing Remarks and Adjournment**

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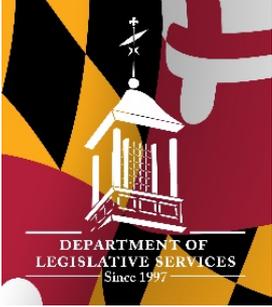
# School Construction Cost-Share Formula

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**Presentation to the  
Workgroup on the Assessment and Funding of  
School Facilities**



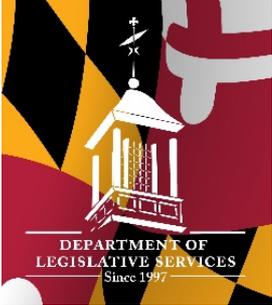
**October 20, 2021**



# Workgroup Charge

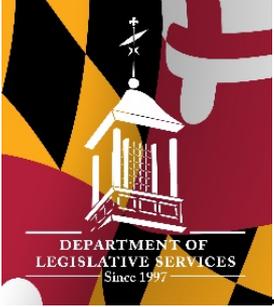
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- Chapter 698 of 2021 requires the workgroup to consider and make recommendations related to the factors used in the cost-share formula
- The factors used in the formula have not been updated since fiscal 2006, when changes to education aid formulas enacted in 2002 based on recommendations of the Thornton Commission were incorporated into the formula, as well as other changes recommended by the Task Force on Public School Facilities (known as the Kopp Commission)
- With the changes to education aid formulas enacted in the Blueprint for Maryland's Future, the workgroup is charged with incorporating Blueprint changes into the cost-share formula and any other changes it recommends



# Overview of Cost-share Formula

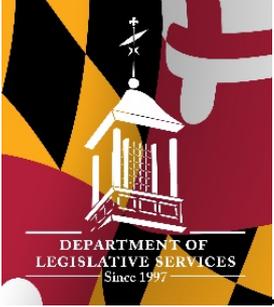
- The State pays at least 50%, and up to 100%, of *eligible* costs of school construction. The county governments (including Baltimore City) pay the local share of eligible costs and 100% of ineligible costs
- The State's share varies by local school system based on a formula that considers local wealth and other factors
  - Statute requires that the Interagency Commission on School Construction (IAC) establish a cost-share formula; the formula itself is promulgated in the Code of Maryland Regulations (COMAR)
- COMAR regulations require that the State and local cost shares be recalculated every two years per the formula
  - If the State share for a local school system decreases by more than 5 percentage points, the reduction must be phased in over two years
- Counties have been held harmless from reductions in the State share since fiscal 2019



# Eligible and Ineligible Costs

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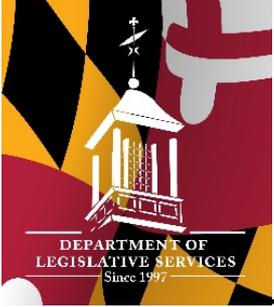
- Eligible and ineligible costs are delineated in regulations
- Prior to the Built to Learn Act of 2020 (Chapter 20), eligible costs were generally restricted to construction costs ("bricks and mortar")
  - State participation limited to approved square footage; any excess square footage paid for only with local funds
  - State did not participate in planning, design, furniture, fixtures, and equipment (FF&E)
- Built to Learn authorized State participation in planning, design, and FF&E
  - Expected to include add-ons based on total construction costs of 10% for planning/design and 5% for FF&E, as applicable



# Adjustments and Special Circumstances

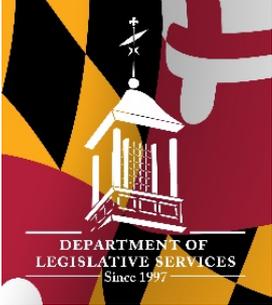
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- Local school systems have been held harmless from any reduction in their State shares since fiscal 2019
  - Fiscal 2019/2020: Held harmless by votes of IAC and Board of Public Works (9 school systems)
  - Fiscal 2021/2022: Held harmless by vote of IAC (4 school systems)
  - Fiscal 2023/2024: Held harmless by Chapter 698 of 2021 (5 school systems in **bold** on the next slide)
- Beginning in fiscal 2023, Garrett County's State share is adjusted in accordance with provisions the Built to Learn Act



# Fiscal 2023/2024 State Shares

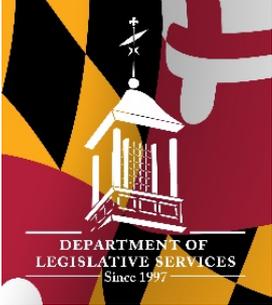
County	FY 2023/2024 State Share	County	FY 2023/2024 State Share
Allegany	90%	<b>Harford</b>	<b>63%</b>
Anne Arundel	50%	Howard	56%
<b>Baltimore City</b>	<b>96%</b>	Kent	50%
Baltimore	61%	Montgomery	50%
Calvert	56%	Prince George's	73%
Caroline	88%	<b>Queen Anne's</b>	<b>51%</b>
<b>Carroll</b>	<b>59%</b>	St. Mary's	58%
<b>Cecil</b>	<b>66%</b>	Somerset	100%
Charles	65%	Talbot	50%
Dorchester	93%	Washington	79%
Frederick	65%	Wicomico	100%
Garrett	90%*	Worcester	50%



# State Cost-share Formula

- Sum of the following factors for each school system
  - Percentage State share of Foundation program
  - Guaranteed Tax Base (GTB) program amount as percentage of Foundation program (local school funding effort)
  - 1/5<sup>th</sup> of the amount by which free and reduced-price meal (FRPM) percentage exceeds State average
  - Percentage points by which 5-year enrollment growth exceeds State average growth for the same period
  - 5 percentage points for Tier 1 "One Maryland" counties that meet specified unemployment rate thresholds
  - 5 percentage points for Tier 1 counties that meet specified median household income thresholds and
  - Percentage points by which outstanding school construction debt plus PAYGO exceeds 1 percent of county wealth (local construction effort)
- If the total for any school system is less than 50%, the State cost share is adjusted upwards to meet the minimum 50% State share threshold

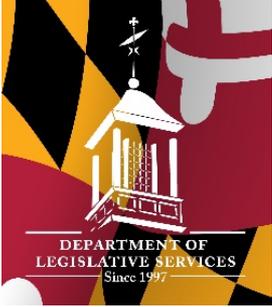
# Cost-share Factors



County	FY 2021 State Share of Foundation	FY 2021 Guaranteed Tax Base Add-on	Fall 2019 20% of FRPM% Above State Average	Enrollment Growth '14-'19 Beyond State Average	Tier I County Add-On	FY 2019 Local Debt+PAYGO Above 1% of Local Wealth
Allegany	74.5%	7.9%	2.1%	--	5.0%	0.1%
Anne Arundel	38.6%	--	--	2.9%	--	4.6%
Baltimore City	66.0%	2.9%	8.5%	--	5.0%	5.0%
Baltimore	52.4%	--	0.4%	0.7%	--	7.1%
Calvert	56.0%	--	--	--	--	--
Caroline	75.9%	5.4%	1.7%	0.2%	5.0%	--
Carroll	52.4%	--	--	--	--	--
Cecil	61.4%	--	--	--	--	1.8%
Charles	63.9%	0.4%	--	0.8%	--	--
Dorchester	69.1%	4.3%	4.8%	--	5.0%	9.9%
Frederick	57.0%	--	--	2.8%	--	4.7%
Garrett	41.6%	--	0.2%	--	5.0%	--
Harford	54.8%	--	--	--	--	5.5%
Howard	45.2%	--	--	5.6%	--	5.2%
Kent	18.1%	--	2.7%	--	5.0%	--
Montgomery	33.0%	--	--	3.1%	--	4.2%
Prince George's	62.5%	--	3.5%	3.6%	--	3.1%
Queen Anne's	41.0%	--	--	--	--	2.9%
St. Mary's	58.0%	--	--	--	--	--
Somerset	76.1%	8.9%	6.0%	--	10.0%	--
Talbot	15.0%	--	0.8%	--	--	--
Washington	68.5%	4.4%	1.1%	--	5.0%	--
Wicomico	75.4%	7.2%	2.4%	--	5.0%	11.8%
Worcester	15.0%	--	--	--	10.0%	4.1%

\* Sum of the prior columns, rounded to the nearest whole percentage. Does not reflect hold harmless provisions or other adjustments from Chapter 698 of 2021.

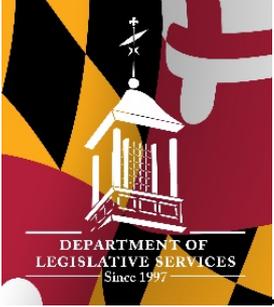
Source: Interagency Commission on School Construction



# Foundation Formula

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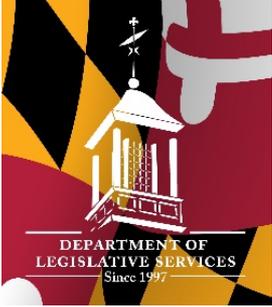
- Uniform base cost per pupil to provide general education services
- State/local cost-share is wealth equalized; lower-wealth counties receive higher State shares
- Blueprint alters local wealth calculation to be based on November Net Taxable Income (NTI) only
  - Previously September and November NTI were used
- Blueprint count of students to be funded is the *greater of* (1) the prior year full-time equivalent (FTE) enrollment count or (2) the three-year rolling average FTE enrollment
  - Previously, only prior year count was used



# Guaranteed Tax Base Program

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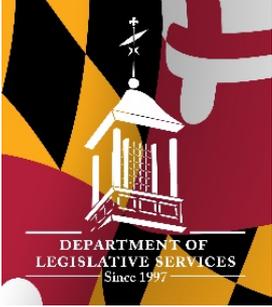
- Provides additional State education aid to counties that have less than 80% of the statewide average wealth per pupil and provide local education funding above the minimum local share required by the Foundation program
- In fiscal 2022, recipients of GTB aid from the State are Baltimore City and Allegany, Caroline, Charles, Dorchester, Somerset, Washington, and Wicomico counties
- Blueprint change to calculation of wealth slightly alters the amounts that eligible school systems receive



# Free and Reduced-price Meals

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- Historically, FRPM percentages have been used as the principal measure of school- and district-level poverty rates. However, FRPM counts by themselves are no longer reliable measures of poverty
- Blueprint expands FRPM counts to include participation in Medicaid in the direct certification count and an alternative State form. FRPM enrollment projections are based on the expanded definition
- Blueprint also established new school-level Concentration of Poverty Grants that provide additional State aid on a sliding scale based on FRPM percentage of at least 55% – schools at 80% and above receive the maximum per pupil amount

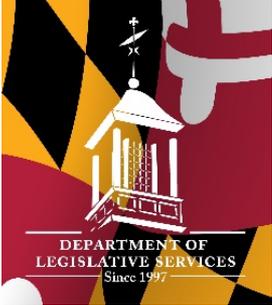


# Enrollment Growth

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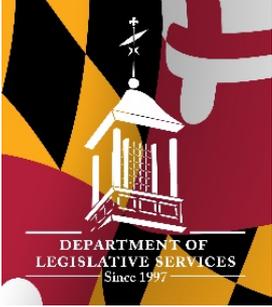
- Recognizes counties with above-average enrollment growth using September 30 FTE count over 5-year period
- Does not reflect rolling 3-year FTE count adopted in Blueprint
- Factor could be adjusted to compare greater of FTE or 3-year average

# Updated Factors



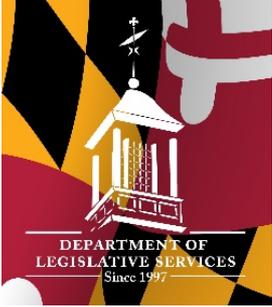
County	State Share of Foundation		Guaranteed Tax Base Add-on		20% of FRPM% Above State Average		Enrollment Growth Beyond State Average	
	FY 2021	FY 2023*	FY 2021	FY 2023*	Fall 2019	Fall 2021*	'14-'19	'16-'21*
Allegany	74.5%	71.8%	7.9%	8.3%	2.1%	2.2%	--	--
Anne Arundel	38.6%	39.6%	--	--	--	--	2.9%	3.5%
Baltimore City	66.0%	65.9%	2.9%	2.4%	8.5%	8.5%	--	--
Baltimore	52.4%	53.0%	--	--	0.4%	0.4%	0.7%	0.5%
Calvert	56.0%	54.8%	--	--	--	--	--	--
Caroline	75.9%	73.5%	5.4%	4.2%	1.7%	1.7%	0.2%	--
Carroll	52.4%	51.0%	--	--	--	--	--	--
Cecil	61.4%	59.6%	--	--	--	--	--	--
Charles	63.9%	60.8%	0.4%	1.0%	--	--	0.8%	1.7%
Dorchester	69.1%	67.8%	4.3%	5.1%	4.8%	4.8%	--	--
Frederick	57.0%	54.6%	--	--	--	--	2.8%	2.8%
Garrett	41.6%	42.2%	--	--	0.2%	0.2%	--	--
Harford	54.8%	54.1%	--	--	--	--	--	--
Howard	45.2%	45.6%	--	--	--	--	5.6%	5.1%
Kent	18.1%	20.6%	--	--	2.7%	2.8%	--	--
Montgomery	33.0%	31.3%	--	--	--	--	3.1%	1.4%
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Queen Anne's	41.0%	40.9%	--	--	--	--	--	--
St. Mary's	58.0%	57.4%	--	--	--	--	--	--
Somerset	76.1%	72.7%	8.9%	8.5%	6.0%	6.2%	--	--
Talbot	15.0%	15.0%	--	--	0.8%	0.9%	--	--
Washington	68.5%	66.2%	4.4%	4.5%	1.1%	0.9%	--	--
Wicomico	75.4%	72.7%	7.2%	6.0%	2.4%	2.4%	--	--
Worcester	15.0%	15.0%	--	--	--	--	--	--

\*Projected, based on education aid formula changes in Chapters 36 and 55 of 2021  
 Source: Department of Legislative Services



# Tier 1 Counties

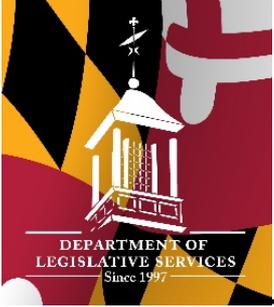
- Tier 1 counties – known as One Maryland counties – are defined in the Economic Development Article as counties (including Baltimore City) with
  - average unemployment rate that exceeds 150% of the State average
  - average unemployment rate that exceeds the State average by at least 2 percentage points or
  - median household income equal to or less than 75% of the State median
- All calculations are based on most recent 24-month periods



# Tier 1 Counties Continued

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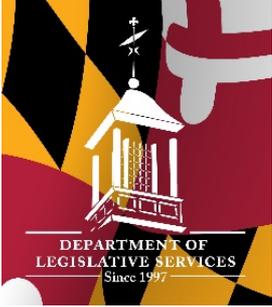
- Tier 1 counties are currently Baltimore City and Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico, and Worcester counties
- Counties that qualify under both the unemployment and household income criteria receive school construction cost-share add-ons of 10% (5% for each)
- Blueprint has no effect on Tier 1 eligibility determinations
- Cannot be updated until 2023 for 2025/2026 formula results



# Local Capital Effort

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- Rewards counties with high local effort for school construction relative to wealth
- In 2018, IAC developed clearer definition of PAYGO to capture all forms of local support for school construction
- New wealth calculation may slightly affect results
- Cannot be updated until 2023 for fiscal 2025/2026



# Additional Possible Changes

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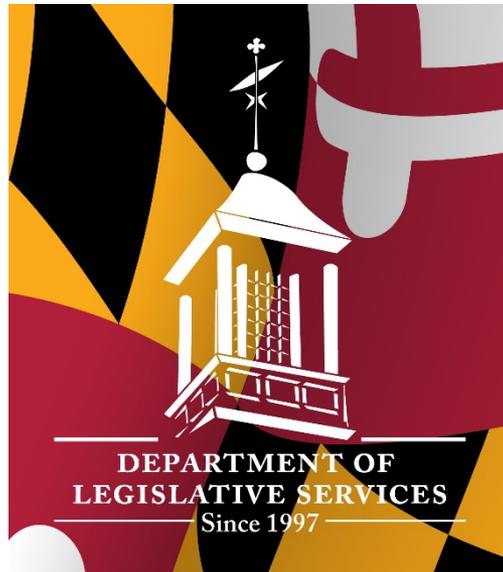
- FRPM – Incorporate concentration of poverty adjustment (by system or by project)?
- Enrollment Growth – Incorporate “greater than” FTE count?
- Smoothing – Cap State cost share decreases for each 2-year cycle?
- Incentives – Add factor(s) to incentivize local jurisdictions, e.g., school maintenance, total cost of ownership (by project)

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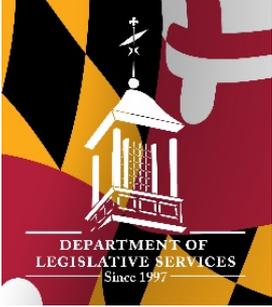
# Local Share Revolving Loan Fund

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**Presentation to the  
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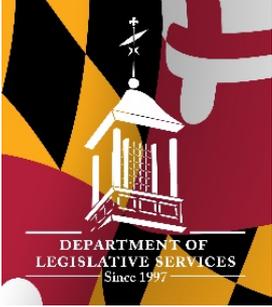
**October 20, 2021**



# Origin of the Fund

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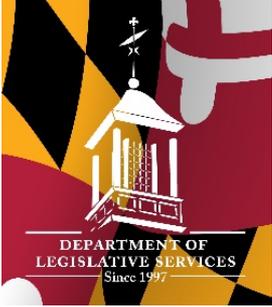
- Local Share of School Construction Costs Revolving Loan Fund was created by the 21st Century School Facilities Act (Chapter 14 of 2018).
- Purpose is to provide no or low interest loans to local governments to forward fund the local share of school construction costs for school systems that rely on the local share to be fully funded in order to complete a project.
- No funding has been appropriated to the Fund since its inception.
- Chapter 698 of 2021 (“Built to Learn 2.0”) instructed the workgroup to consider and make recommendations on the purpose and implementation of the Fund.



# Purpose of the Fund

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- Counties can elect to “forward fund” school construction projects that have been approved for State funding but have not received State funding due to lack of sufficient funds
  - Counties pay for the projects in anticipation of receiving future State reimbursement
- Some counties do not forward fund
  - Local government cannot afford to forward fund
  - Local government will not commit local funds until State funding has been committed



# Issues to Consider

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- Funding level
  - How much should be appropriated to the fund initially? Annually?(eventually self supporting)
  - Anticipated demand for program?
- Repayment schedule
- Eligibility criteria