

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 40

(Senators Hester and Guzzone)

Budget and Taxation

Appropriations

Interagency Commission on School Construction – Systemic Renovation Projects
– Eligibility

This bill requires the Interagency Commission on School Construction (IAC) to consider a systemic renovation project as eligible for funding under the Built to Learn Act if the construction cost of the project is at least \$100,000. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: None. The bill does not alter the amount of State funding available to support public school construction projects under the Built to Learn Act. To the extent that available funds are used for systemic renovation projects under the bill, those funds are not available for new/replacement schools or major renovation projects. The bill may reduce the administrative efficiency of the Maryland Stadium Authority (MSA) in managing the program but is unlikely to affect MSA nonbudgeted expenditures. No effect on revenues.

Local Effect: No change to the total amount of funding available to each local school system for school construction projects, but the bill gives local school systems greater flexibility to use the funds for smaller systemic renovations than they currently have.

Small Business Effect: Minimal.

Analysis

Current Law: The Built to Learn Act (Chapter 20 of 2020) authorizes MSA to issue up to \$2.2 billion in revenue bonds beginning in fiscal 2022, backed by annual payments from

the Education Trust Fund for public school construction projects in the State, including to support a possible public-private partnership (P3) agreement for Prince George's County.

All projects funded under the Act must be approved by IAC using the same process used for the Public School Construction Program.

Proceeds of MSA's sale of revenue bonds (including bond premiums) must be allocated to local school systems as shown in **Exhibit 1**, based on the sale of \$2.0 billion in bonds for public school construction projects approved by IAC. Any allocation must be used within 10 years or be subject to reallocation.

Exhibit 1
Allocation of Bond Sale Proceeds under the Bill
(\$ in Millions)

	<u>Percent of Total</u>	<u>Proceeds</u>
Anne Arundel	12.5%	\$250.0
Baltimore City	21.0%	420.0
Baltimore	21.0%	420.0
Frederick	5.1%	102.0
Howard	6.6%	132.0
Montgomery	21.0%	420.0
Prince George's	*	*
All Other Counties	11.5%	230.0
Unallocated/MSA	1.3%	26.0
Total	100.0%	\$2,000.0

MSA: Maryland Stadium Authority

*Under the bill, Prince George's County receives \$25.0 million annually for up to 30 years to supplement local funds for an availability payment if it enters into a public-private partnership agreement, subject to other provisions in the bill.

Source: Department of Legislative Services

Facilities and Financing Funds

The Built to Learn Act establishes two nonbudgeted funds, administered by MSA, to finance improvements to public school facilities in the State: the Supplemental Public School Construction Facilities Fund and the Supplemental Public School Construction Financing Fund. Both funds are continuing, nonlapsing funds. The financing fund includes

(1) proceeds from the sale of bonds for public school facilities that are not under a trust agreement; (2) revenues collected or received from any other source; (3) interest earnings of the fund; and (4) any additional money from any public source. Monies in the financing fund are pledged to and used to pay (1) debt service on bonds issued by MSA; (2) debt service reserves under a trust agreement; (3) the annual payment of \$25.0 million to the Prince George's County P3 fund, if required; (4) all reasonable charges and expenses related to the issuance of bonds; and (5) all reasonable expenses related to MSA's management of the fund and its project oversight responsibilities.

The facilities fund includes (1) revenue transferred from the financing fund; (2) interest earnings of the fund; and (3) any additional money made available from any public sources. MSA may use the facilities fund as a revolving fund to pay (1) debt service on bonds; (2) design and construction costs relating to public school facilities; (3) to the extent authorized by federal law, any start-up costs, administration, overhead, and operations related to management of improvements to public school facilities; (4) all reasonable charges and expenses related to MSA's oversight and project management responsibilities; and (5) all reasonable expenses related to its review of the Prince George's County P3 agreement, if needed.

Systemic Renovations

Under the Code of Maryland Regulations, a systemic renovation installs, upgrades, replaces, or renovates a building system (*e.g.*, plumbing, electrical, fire safety) or system components. It must extend for at least 15 years the life of a properly maintained school building or component that is at least 16 years old. A local school system may request funding for a systemic renovation only if the total estimated construction cost is at least \$200,000, or at least \$100,000 if the local school system does not have any systemic renovation project requests that exceed \$200,000 in estimated construction costs.

Systemic Renovations Under Built to Learn

MSA and IAC have notified local school systems that systemic renovation projects costing less than \$4.0 million are not eligible for State funding under the Built to Learn Act. However, multiple systemic renovation projects can be bundled together to meet the \$4.0 million threshold as long as they are either (1) contracts for the same systemic renovation (*e.g.*, new roofs or new heating/cooling systems) in multiple schools or (2) contracts for multiple systemic renovations in a single school.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 68 (Delegate Watson) - Appropriations.

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

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