

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 888  
Appropriations

(Delegate McKay)

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**Public School Construction - State Share of Eligible Costs - Regional School**

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This bill requires that the State share of eligible costs for a public school construction or capital improvement project increase by 20 percentage points if the project is for a school facility that is attended by students from two or more local school systems. **The bill takes effect July 1, 2022.**

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**Fiscal Summary**

**State Effect:** No effect on total State funding for school construction, which is established annually by the Governor and the General Assembly through the capital budget process. To the extent that the State share increases for one or more projects in a given year (which depends on annual funding requests by local school systems and the State's project approval process), less funding is available for other school construction projects. No effect on revenues.

**Local Effect:** Local revenues for school construction projects with students from two or more local school systems increase. However, any local project funds supplanted by the increased State share are likely reallocated to other school or local capital construction projects. Therefore, there is likely no effect on local funds available for capital projects.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** There is no formula in State law or regulations for calculating the State share for a school that enrolls students from two or more local school systems.

The Interagency Commission on School Construction (IAC) manages State review and approval of local school construction projects. 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 updated the space allocations in 2019 and renamed them gross area baselines. IAC also establishes, on an annual basis, a *cost per square foot* that is applicable to major school construction projects. For fiscal 2023, the cost per square foot is \$358 for new construction *without* site development (up from \$341 in fiscal 2022) and \$426 for new construction *with* site development (up from \$405 in fiscal 2022). In general, multiplying the cost per square foot by the applicable gross area baseline for each proposed project (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. Thus, any portion of a project that exceeds the gross area baseline is not eligible for State funding and must be paid for by the local school system.

The cost of acquiring land may not be considered an eligible construction cost and may not be paid by the State. Otherwise, regulations specify public school construction-related costs that are eligible and ineligible for State funding. Chapter 20 of 2020 expands the costs eligible for State funding. In general, the following costs are now included among *eligible* expenses:

- planning and design costs (including architectural and engineering fees);
- 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;
- replacement of building systems, including roofs, windows, and heating, ventilation and air conditioning (*i.e.*, “systemic renovations”);
- modular construction that meets specified standards;
- State-owned relocatable facilities and temporary facilities that are required to be on site during construction; and
- furniture, fixtures, and equipment with a median useful life of at least 15 years.

Among the major items explicitly *not eligible* for State funding under current law (besides site acquisition) are (1) master plans and feasibility studies; (2) projects or systemic renovations for buildings and systems that have been replaced, upgraded, or renovated within the last 15 years; and (3) items that do not have a useful life of at least 15 years.

### *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 21st Century School Facilities Act requires

that the cost-share formula be recalculated every two years (previously, statute required recalculation every three years). **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2023 and 2024, as approved by IAC. Counties whose calculated State share would have been lower in fiscal 2023 than in fiscal 2022 were held harmless by Chapter 698 of 2021; Garrett County’s State share was adjusted in accordance with provisions of Chapter 698.

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**Exhibit 1**  
**State Share of Eligible School Construction Costs**  
**Fiscal 2023 and 2024**

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

Source: Interagency Commission on School Construction

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**Additional Comments:** The Department of Legislative Services notes that seven school systems (and the Maryland School for the Blind) have a State share that exceeds 80% and, thus, would not be eligible for the full increase of 20% percentage points required by the bill.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland State Department of Education; Public School Construction Program; Department of Legislative Services

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