

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 502 (Senator M. Washington)
 Budget and Taxation

Enoch Pratt Free Library - Capital Project Funding

This bill requires the Governor to include \$10.0 million, for fiscal 2024 through 2029, in the annual budget bill to fund aging infrastructure construction and capital improvement expenses in excess of \$1.0 million for all branches of the Enoch Pratt Free Library (EPFL) System. Funds provided under the bill supplement, but may not supplant, funds appropriated to EPFL from any other sources. It is the intent of the General Assembly that the Board of Trustees of EPFL use grant funds to advance the role of the State Library branches and to support the reimaging of library spaces to advance equitable economic recovery and further enable library patrons to gain digital skills, access new technologies, and pursue vocational and educational programs. To receive funding, the Board of Trustees must demonstrate a 10% match to State funding and may use public and private funds to satisfy the match. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: State expenditures increase by \$10.0 million annually in FY 2024 through 2029. Any impact in FY 2024 depends on whether funding is provided in the State budget. Revenues are not affected. **This bill establishes a mandated appropriation in FY 2025 through 2029.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
PAYGO GF exp	10.0	10.0	10.0	10.0	10.0
Net Effect	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)

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

Local Effect: Baltimore City revenues increase for library capital projects by up to \$10.0 million annually in FY 2024 through 2029. Baltimore City expenditures are assumed to increase commensurately for related projects and also to meet matching fund

requirements. Any impact in FY 2024 depends on whether funding is provided in the State budget.

Small Business Effect: Minimal.

Analysis

Bill Summary: The annual funding under the bill must be used for purposes including (1) required alterations for compliance with the federal Americans with Disabilities Act (ADA); (2) repair or replacement of roof and heating, ventilation, and air conditioning systems; (3) technology upgrades to provide 21st-century library services; (4) general renovations of existing facilities; and (5) replacement of obsolete or unsafe buildings with new infrastructure.

Current Law: EPFL serves as the public library system in Baltimore City and the Central Library of EPFL operates as the designated State Library Resource Center (SLRC). Acting in place of the state library that exists in most states, SLRC works cooperatively with other libraries in a network that allows materials and information to be shared statewide. There is no set annual amount of capital funding provided for EPFL. The State must pay all capital expenses for SLRC and each regional resource center.

State operating funding for EPFL comes from three primary sources: (1) the Minimum Per Capita Library Program; (2) the increased operations grant; and (3) the SLRC grant.

Minimum Per Capita Library Program and Increased Operations Grants

The State and local governments share in the cost of funding local public library systems through the library aid formula, which establishes minimum State and local contributions, used to cover both capital and operating costs. The formula distributes funds on the basis of county population and wealth. Less wealthy counties, as measured by net taxable income and assessable property tax base, receive relatively more aid than wealthier counties. A total program cost for each county and Baltimore City, which is shared by the State and local governments, equals a specified dollar amount per county or city resident.

The formula calculates a local share of the program cost using a uniform local contribution rate applicable to all jurisdictions, and the State pays the remainder of the program cost. The State pays approximately 40% of the total formula cost on a wealth-equalized basis, with the local jurisdictions providing the remaining 60%; however, no library board receives less than 20% of minimum per capita programs from the State. No more than 20% of the State and county shares may be applied to capital expenses. Under the fiscal 2024

State budget as introduced, State formula aid for local libraries totals \$45.7 million, including \$6.7 million for Baltimore City.

For fiscal 2023 and each fiscal year thereafter, the Governor must include an appropriation of \$3.0 million to support the additional operating expenses for the increased hours of operation of all EPFL branches subject to increased operating hours and Baltimore City providing a 25% matching grant. The fiscal 2024 State budget as introduced includes \$3.0 million for this purpose.

State Library Network

Since 1888, the State has provided funds to support public libraries throughout the State under what is now known as the State library network. The network consists of the Central Library of the EPFL in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. All these systems receive State funding for operating expenses.

Funding levels for SLRC are set at \$1.93 per resident in fiscal 2023 and will increase to \$1.97 per resident in fiscal 2024 and subsequent years. Under the fiscal 2024 State budget as introduced, funding for SLRC totals \$12.1 million.

County Library Capital Projects

Under Chapter 27 of 2021, annual State funding for county library capital projects is mandated at \$7.5 million. State grants may not exceed the eligible capital cost of the project, with a maximum State share of 50% to 90% based on taxable wealth per capita. If requests for State funding exceed \$7.5 million, awards may be reduced to reflect geographic diversity in the allocation of grant funds. Under Chapters 362 and 363 of 2022, for fiscal 2023 through 2025, the State share for a county library capital project is increased under certain circumstances, based in part upon the county's median household income. The fiscal 2024 capital budget provides \$11.6 million for 10 projects, though none in Baltimore City, with \$7.5 million annually projected for the program in fiscal 2025 through 2028.

State Expenditures: Because the bill mandates appropriations, which may not supplant funding from any other sources, State expenditures increase by up to \$10.0 million annually in fiscal 2024 through 2029. Any impact in fiscal 2024 depends on whether funding is provided in the State budget. For purposes of this analysis, it is assumed that pay-as-you-go (known as PAYGO) general funds will be used to meet the mandated appropriation. The Maryland State Library Agency can administer grant funding using existing resources.

Local Fiscal Effect: Baltimore City revenues increase by as much as \$10.0 million annually, in fiscal 2024 through 2029, given that the specified mandated annual appropriations may not supplant funding to EPFL from any other sources. Baltimore City expenditures are assumed to increase by the same amount for associated capital projects. City expenditures may also increase in order to match the additional capital funds received under the bill. Any impact in fiscal 2024 depends on whether funding is provided in the State budget.

Small Business Effect: Small construction companies that participate in library construction projects may experience a significant increase in business opportunities.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Baltimore City; Maryland State Library Agency; Department of Budget and Management; Department of Legislative Services

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