

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1430
 Appropriations

(Delegates Chang and Stonko)

Budget and Taxation

Maryland Public Charter School Program - School Facilities - Funding

This bill requires the Interagency Commission on School Construction (IAC) to distribute funds directly to public charter schools for capital improvements, debt service, or rent or lease payments. To receive funds, a public charter school must not concurrently receive funds under the Public School Construction Program (PSCP) and the operator’s most recent audit must be unqualified. Continued funding is contingent on a reporting requirement. IAC may not reduce local school system PSCP allocations because of the bill’s funding. Beginning in fiscal 2028, the bill requires the Governor to include an appropriation in the annual budget bill for specified charter school facilities purposes that is equal to the total aggregate student enrollment in the Maryland Public Charter School Program for the prior fiscal year multiplied by \$200. If funding for PSCP is reduced year-over-year, funds distributed under the bill must proportionally decline. The IAC must adopt regulations to carry out the bill, as specified. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: *Under one set of assumptions*, general fund expenditures for IAC increase by \$116,800 in FY 2027 for staff, and by an additional \$5.0 million beginning FY 2028 in accordance with the bill’s mandated appropriation. Out years reflect annualization, inflation, and assumed enrollment growth in charter schools. Federal fund revenues potentially increase a significant amount to the extent the program allows the State to apply for and receive competitive federal grant funding. **This bill establishes a mandated appropriation beginning in FY 2028.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0.1	5.2	5.2	5.3	5.3
Net Effect	(\$0.1)	(\$5.2)	(\$5.2)	(\$5.3)	(\$5.3)

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

Local Effect: None. The bill requires funds to be paid directly to charter schools. However, additional funding available for charter school facilities may encourage additional local school systems to lease facilities to charter schools.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Public charter school facilities” are premises that are owned or leased by a public charter school or occupied and utilized by a public charter school, as specified. Funds must be disbursed directly to public charter schools and may not be paid to local governing bodies or local boards of education. If a public charter school is located in a building owned by the local school system and receives PSCP funding in a given fiscal year, IAC may not distribute funds under the bill to that public charter school in that same fiscal year. A public charter school may receive funds only if the operator’s most recent required certified financial audit is unqualified.

Regulations

IAC must adopt regulations to carry out the bill that (1) establish procedures to comply with the prohibition on receipt of funds for public charter schools that receive PSCP funding in the event of mid-year capital project funding requests and (2) ensure a public charter school receives funds if the local school system rescinds a capital project funding request and the public charter school is subsequently eligible for funding under the bill.

Reporting

In the fiscal year following receipt of funds, public charter schools must report to IAC on the status of any project for capital improvements, debt service, or rent or lease payments before the public charter school may receive funds for the following fiscal year.

Funding Distribution Cap

If the total amount of funding for PSCP in a fiscal year is less than the total amount in the prior fiscal year, the amount of funds distributed to public charter schools under the bill for the fiscal year must be proportionately reduced.

Current Law:

Public Charter Schools

The general purpose of the Maryland Public Charter School Program is to establish an alternative means within the existing public school system in order to provide innovative learning opportunities and creative educational approaches to improve the education of students. A local board of education must disburse to a public charter school an amount of county, State, and federal money for elementary, middle, and high school students that is commensurate with the amount disbursed to other public schools in the local jurisdiction.

The local board of education is the public chartering authority within a county. Public charter schools must be nonsectarian and, with exceptions, open to all students on a space-available basis and admit students on a lottery basis if more students apply than can be accommodated. If granted a waiver, a public charter school located within a federal military base may designate as much as 65% of its enrollment for students whose parents are assigned to the base.

Public charter schools cannot discriminate in their enrollment policies or charge tuition to students. A local school system must serve students with disabilities attending public charter schools in the same manner as the public agency serves students with disabilities in its other schools, in accordance with applicable federal and State law. A public charter school must require students to be physically present on school premises for a period of time substantially similar to that which other public school students spend on school premises.

An application to establish a public charter school may be submitted to a local board by the staff of a public school, a parent of a student who attends a public school in the county, a nonsectarian nonprofit entity, a nonsectarian institution of higher education in the State, or any combination of these. A public chartering authority may not grant a charter to a private school, a parochial school, a home school, or a school that operates fully online.

Each local board of education must develop a public charter school policy and provide it to the State Board of Education, including guidelines and procedures regarding evaluation of public charter schools, revocation of a charter, reporting requirements, and financial, programmatic, or compliance audits of public charter schools.

IAC advises that some charter schools are eligible for capital construction and systemic renovation funding from PSCP. However, funding is available only for facilities that are owned by local school systems (and leased to the charter school) or otherwise leased by a charter for a period of at least 25 years. Funding requests must be submitted by the local school system in which the charter school is located.

Charter School Facilities

In general, public charter schools have right of first refusal for any land, school site, or building that is no longer needed by a local school system and county government. Specifically, if a local school board finds, with the approval of the State Superintendent or the State Superintendent's designee, that any land, school site, or building is no longer needed for school purposes, it must inform the county commissioners or county council of that determination. Within 30 days of receiving the notice from the local school board, the county government must notify the local school board either (1) of the need to transfer the land, site, or building to the county if it is an integral part of an existing economic development plan that will significantly benefit the county or (2) that the county government has no existing plans for the land, site, or building. If the county government has no plans for the property or does not provide notification within 30 days, the local school board must make the property available to any charter school in the district, under terms established by the local school board.

Funding for Charter School Facilities in the State Operating and Capital Budgets

Public schools, including charter schools, are authorized to use Foundation Formula funding for maintenance and operation of the school.

Until May 2023, only public charter schools in buildings owned by a local school system were eligible for capital construction and systemic renovation funding from the PSCP. In order to receive funding from the PSCP, a local school system in which the charter school is located must submit a funding request. The request then requires the local school system to assume the local share of the State and local cost-share formula for the PSCP.

In 2023, IAC adopted a policy to allow the use of bond proceeds for capital improvements in leased public school buildings not owned by a local school system, provided that the lease is a minimum of 25 years in duration and, for charter schools, subject to a written guarantee by the local school system that granted the charter. The new IAC policy does not allow State bond proceeds to be used for rent payments, utility costs, or salaries. The fiscal 2025 capital improvement plan was the first to allow submission of projects under this new policy.

Public charter schools are eligible for, and occasionally receive, direct funding through the State's capital program. For instance, in the fiscal 2026 capital budget as enacted (Chapter 603 of 2025), two public charter schools received State funding totaling \$1.6 million. Funding from the capital program can only be used for expenses described as eligible in the authorization, and funding does not require any local school system or public charter school matching funding.

State Fiscal Effect:

Mandated Appropriation

MSDE advises that, for the 2025-2026 school year, there are 49 charter schools serving 24,904 students. Assuming a 1% annual growth rate in the number of charter school students, an estimated 25,153 charter students in the 2026-2027 school year require \$5.0 million in general fund appropriations beginning in fiscal 2028 to meet the bill's mandate. Out-years reflect an assumed 1% annual growth rate for charter school enrollment and level funding at \$200 *per pupil*. To the extent enrollment in public charter schools differs from these assumptions, the mandated appropriation also differs.

This analysis assumes PSCP funding levels do not decline year-over-year for the foreseeable future, such that expenditures for public charter school facilities under the bill are maintained at the level of the mandated appropriation described above. To the extent PSCP funding is reduced, funding that must be *distributed* under the bill is proportionately reduced. This cap on distributions, however, does not alter the bill's mandated appropriation amount, which would remain at \$200 *per pupil*. Therefore, while funding distributed by IAC may decline proportionately, the amount that the Governor must include in the annual budget bill remains at \$200 *per pupil*. Any funds not distributed by IAC in a fiscal year in accordance with the bill's funding cap are assumed to revert to the general fund at the end of the fiscal year. Alternatively, the legislature may take action to adjust the mandated funding level and appropriation for public charter school facilities to account for declining PSCP allocations in a given fiscal year.

Administrative Costs

The bill does not specify how the mandated funding is to be distributed to public charter schools. Thus, IAC must determine how the funds are to be distributed and establish policies and procedures, including potentially developing an application process and form. IAC must also establish procedures to ensure nonpublic charter schools are in compliance with the bill's audit and reporting requirements. To accomplish this, staff is needed in fiscal 2027, before the funding becomes available in fiscal 2028.

Therefore, general fund expenditures for IAC increase by \$116,835 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one program manager to establish a grantmaking process in fiscal 2027 to disburse mandated funding to charter schools directly beginning fiscal 2028, and to administer the grant program thereafter. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salaries and Fringe Benefits	\$107,694
Operating Expenses	<u>9,141</u>
Total FY 2027 IAC Expenditures	\$116,835

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Potential Competitive Federal Grant Revenues

By providing State *per-pupil* funding for charter school facilities under the bill, the State may become eligible for discretionary federal grant support. MSDE advises that the U.S. Department of Education Charter Schools Program includes a [State Charter Schools Facilities Incentive Grants](#) to help states establish or administer “per-pupil facilities aid” for charter schools. The program is designed to encourage states to share in the costs associated with charter school facilities funding with local/non-federal matching requirements increasing from 10% in year one of a grant to 80% in year five. MSDE advises that the competitive grant has not historically been offered every year, but grants were awarded in both 2024 and 2025. In federal fiscal 2025, the program awarded \$57.0 million in new and continuation grant awards under the program.

Additional Comments: IAC advises that some of the improvements made to charter school facilities with the mandated appropriations may outlast the charters of schools eligible for funding under the bill. As the bill does not contain provisions to require public school charters to be in place for a minimum amount of time or any restrictions on the sale or lease of charter school buildings that may be funded with State dollars, the bill may result in a loss of State funds on facilities not owned by local school districts.

Additional Information

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

Designated Cross File: SB 960 (Senators Rosapepe and Ready) - Budget and Taxation.

Information Source(s): Interagency Commission on School Construction; Maryland State Department of Education; Department of Legislative Services

Fiscal Note History:
jg/mcr

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