



Letter of Information on HB 1436 - Public School Construction - Projections and Funding - Inflationary Adjustments - March 3, 2025

Delegate Ben Barnes
Chair, House Appropriations Committee
121 Taylor House Office Building
Annapolis, Maryland 21401

Senator Guy Guzzone
Chair, Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Delegate Barnes and Senator Guzzone,

The IAC writes to provide technical information regarding the projected impacts of HB 1436. It is the IAC's technical opinion that the requirements in this bill would have virtually no operational impacts on the IAC, no operational impacts on the LEAs/counties, and would have a material fiscal impact on the State and on the LEAs/counties as described below.

Operational Impact on the IAC

There is no operational impact to the IAC, as the IAC already conducts the activities described in the amendments to Ed. Art. sec. 5-304 that the bill proposes; and the IAC has no role in conducting the action specified in the proposed amendment to Chap. 32 of the Acts of 2022 as amended by Chap. 354 of the Acts of 2024.

The IAC already maintains an annually updated construction-cost-inflation index in the form of its Cost per Square Foot Index that is available for use by the General Assembly in implementing the proposed amendment to Chap. 32 of the Acts of 2022 as amended by Chap. 354 of the Acts of 2024. The IAC bases its Cost per Square Foot Index upon:

- Bids received for new school construction in Maryland in the prior calendar year;
- The cost of MSA-managed projects under the Built to Learn Act of 2020, when applicable;
- Cost-escalation information used by the Department of Budget and Management for FY 2025 capital budget planning, which incorporates recommendations from the Maryland Bureau of Revenue Estimates, the University of Maryland College Park, Associated General Contractors, and bid information from State-managed projects; and
- Cost information derived from industry sources.

IAC staff also anticipate no operational impact to LEAs and County governments.



Re:
Date:

Fiscal Impact to the State

If the General Assembly were to use the IAC's Cost per Square Foot index—which over the course of the past nine years has reflected an average annual increase of 4.4%—to annually adjust its intended amount of annual school-construction funding, the General Assembly would be setting itself a target for FY 2027 of providing \$19.8 million more than the \$450 million that is specified in Chap. 32 of the Acts of 2022 and the amount included in the Governor's proposed budget for FY 2026 (excluding funds provided for the School Safety Grant Program). Such an increase in State funding is expected to offset the loss of purchasing power of State school-construction funds that will result from the expected annual inflation in construction costs.

Fiscal Impact to the LEAs/Counties

If the General Assembly were to deliver the additional funding described above starting with the FY 2027 budget, that funding would either expand the number of projects to which the IAC could provide State participation in the FY 2027 and following Capital Improvement Programs (CIPs) or permit the IAC to increase the amount of funding it provides in a given year to the projects that the IAC has already approved or both, thereby

If the General Assembly were to deliver the additional funding described above starting with the FY 2027 budget, that funding would either expand the number of projects to which the IAC could provide State participation in the FY 2027 and following Capital Improvement Programs (CIPs) or permit the IAC to increase the amount of funding it provides in a given year to the projects that the IAC has already approved or both, thereby increasing the number of backlogged urgent facilities capital-maintenance and/or capital-renewal projects that LEAs could execute in a year and in a span of years and helping LEAs increase the pace at which they address their backlogs of urgently needed facilities improvements, and decreasing the amount of forward funding of State contributions to LEA projects for which counties currently must plan to borrow funds through issuances of county bonds.

Conclusion

The IAC appreciates the opportunity to provide technical information regarding HB 1436 and has no objection to the contents of the bill. IAC staff stand ready to provide any available information in response to any questions that the Committee might have.

Regards,

Alex Donahue
Executive Director