



Letter of Opposition to HB 0736 - School Construction - Local Cost-Share - Alterations – February 10, 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,

Agency Statement of Position

The Interagency Commission does not support HB0736 for three reasons:

- It would override the IAC's statutory authority to determine how it allocates State capital funds to school districts' projects pursuant to formulas duly adopted in regulation and applicable to all project requests – an authority central to its ability to carry out its core mission and statutory responsibilities;
- It would suspend one of the IAC's central equity mechanisms – the State-Local Cost Share system – and arbitrarily shift approximately \$8 million from other counties' high-priority projects to one singled-out project that currently is behind a number of other projects in terms of readiness; and
- Legislation that overrides the IAC's State-local cost-share system for a single case may induce other counties to pursue similar legislatively directed increases in State support for projects in a manner that reduces the effectiveness of one of the IAC's central equity mechanisms.

Scope of the Bill

This bill would adjust the State cost share to approximately 84% for projects meeting a set of specific criteria. At this time, the only school in the State that meets the criteria is Kent County Middle School (KCMS) in Kent County, which has a full replacement project pending at the IAC. Should Talbot County choose in the near future to allow all of their schools to participate in the Community Eligibility Program, which gives free and reduced-priced lunches as an option at all schools, then projects at most of the Talbot County schools (including the pending Chapel District Elementary School renovation-addition project) may also become eligible for this increase to the State cost share.

Fiscal Impact to the State

Assuming an estimated total eligible construction cost of \$43,032,000 and an estimated total project cost of \$66,700,000, the bill would adjust State and Local Cost Shares on the KCMS project as follows:



	KCMS Project	State Share of Eligible Costs	Local Share of Eligible Costs	Ineligible Costs (100% Local)	Est. Total Project Cost per KCPS
Without HB736	65% State cost share (= 50% base + 15% for 3 add-ons)	\$27,971,000	\$15,061,000	\$23,668,000	\$66,700,000
With HB736	~84% State cost share (no add-ons available per HB736 language)	\$36,146,000	\$6,886,000	\$23,668,000	
	Difference	+ \$8,175,000	- \$8,175,000		

The IAC interprets HB0736 as mandating a calculated State share for the KCMS project that cannot include any of the add-ons. Based on Kent County’s base State Cost Share of 50%, plus an additional 15% as a result of qualifying for the 5% Concentration of Poverty Add-On, the 5% Maintenance Add-On, and – pending confirmation and therefore not yet shown on the IAC’s 90% CIP recommendations – the 5% Net-Zero Add-On, HB0736 would direct the IAC to award an estimated \$8,175,000 more to the KCMS project than it otherwise would under its rules.

Fiscal Impact to Other Counties

Because State-funded school construction projects are funded over several years, with partial funding awards being granted each year on pace with actual construction spending, the total additional expense of \$8,175,000 would likely be broken up over the course of 2-3 years, resulting in a yearly reduction of \$2,725,800 to \$4,087,500 in the funding available to the remaining LEAs’ projects as a result of this bill.

Even if the IAC were to vary its rules and award more than the standard amount to the KCMS project, the IAC would first need additional appropriations with which to do so. Should the IAC receive additional appropriations, however, the KCMS project would not be first in line to receive such because

- The project has not yet begun construction;
- There are five IAC-approved projects in other counties for which construction is already underway and that require delivery of portions of their Maximum State Awards that currently are unfunded and would take precedence over the KCMS project; and
- There are three other projects currently requesting first-year construction funding alongside KCMS that, due to their greater extent of design and/or construction progress at this point in time, would likely take precedence over the KCMS project.

Regards,

Alex Donahue
Executive Director



Re: Letter of Opposition - HB 736
February 10, 2025

Cc: Delegate Jefferson Ghrist, District 36
Delegate Steven Arentz, District 36
Delegate Jay Jacobs, District 36