



Updated Letter of Opposition to SB 0843 - School Construction - Local Cost-Share - Alterations – March 25, 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

Despite the recent amendments made to SB 0843, the Interagency Commission cannot support the bill for three reasons:

- 1) It would override one of the IAC's central equity mechanisms—the formula-based State-Local Cost Share system—and arbitrarily shift approximately \$8 million in limited State appropriations from other counties' high-priority projects in the FY 2027 and following CIP cycles to a project that currently is behind a number of other projects in terms of readiness—an act that, in light of the current and projected shortfalls in appropriations for school construction against the need, will negatively affect other pending projects;
- 2) It is likely to encourage other counties to pursue similar legislatively directed increases in State support for their projects in a manner that would further significantly reduce the effectiveness of one of the IAC's essential equity mechanisms and foster mutually damaging competition amongst counties for greater shares of the finite available State school-construction resources; and
- 3) It would subvert the IAC's statutory authority to independently 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.

Scope of the Bill with Recent Amendments

This bill would adjust the State cost share to approximately 84% for any 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 currently pending at the IAC. Due to the amendments limiting its effectiveness to a three-year period starting on July 1, 2025 and its applicability to projects at schools that are the sole elementary, middle, or high school in a county, the criteria are not expected to become applicable to projects other than the KCMS replacement project. None of the amendments invalidate any of the three rationales stated above for the IAC's opposition to the bill or change the IAC's position on the bill.

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 SB843	65% State cost share (= 50% base + 15% for 3 requested add-ons)	\$27,971,000	\$15,061,000	\$23,668,000	\$66,700,000
With SB843	~84% State cost share (no add-ons available per SB843 language)	\$36,146,000	\$6,886,000	\$23,668,000	
Difference		+\$8,175,000	– \$8,175,000		

The IAC interprets SB0843 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, SB0843 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 outlay to KCMS of \$8,175,000 spread over 2-3 years would require that the IAC take a total of \$8,175,000 spread across FY 2027, FY 2028, and possibly FY 2029 out of the awards that the IAC is already projected to struggle to afford under expected limited appropriations for the high-priority projects that it approves for the remaining 23 LEAs and the Maryland School for the Blind.

Under the Governor's proposed FY 2026 budget, the IAC projects that it will be about \$51 million short of the amount needed to fully and timely fund the State share of the highest-priority projects it is currently projecting to support. IAC staff project that the funding gap given equal FY 2027 appropriations is projected to be \$111 million. If this bill were to pass, its effect would be to increase the funding gap in FY 2027 by \$8,175,000 to a projected \$119,175,000.

Even if the IAC were to receive additional appropriations, the KCMS project would not be first in line to receive such because

- The project has not yet begun construction;



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- 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,

A handwritten signature in blue ink, appearing to read 'Alex Donahue', is positioned below the 'Regards,' text.

Alex Donahue
Executive Director

Cc: Senator Stephen S. Hershey, Jr., District 36