

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 1532  
Appropriations

(Delegate Hixson, *et al.*)

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Capital Grant Program for Public School Systems With Significant Enrollment Growth

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This bill establishes the Capital Grant Program for Public School Systems with Significant Enrollment Growth and requires the Governor to include an additional \$20.0 million annually, beginning in fiscal 2015, in the capital improvement program (CIP) of the Public School Construction Program (PSCP) that may be used only to award grants for the program. State funding provided under the program is supplemental to and does not take the place of funding that otherwise would be appropriated for public school construction projects from any other source.

The bill takes effect June 1, 2014.

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Fiscal Summary

**State Effect:** No effect on total State spending for capital projects, which is established each year through the State's capital budget process. However, general obligation (GO) bond expenditures on other capital projects that are not related to school construction decrease by \$20.0 million annually, which may delay their completion. The Interagency Committee on School Construction (IAC) and its constituent agency members can implement the program with existing budgeted resources. No effect on revenues. **This bill establishes a mandated appropriation beginning in FY 2016.**

**Local Effect:** Local school systems with significant enrollment growth receive a combined total of \$20.0 million annually in additional State funds for school construction projects. The eligible school systems are likely to change each fiscal year as enrollment growth fluctuates. Local expenditures for school construction also increase to provide matching funds for State grants.

**Small Business Effect:** Minimal for small construction companies.

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## Analysis

**Bill Summary:** “Significant enrollment growth” is defined as student enrollment growth in a public school system that has exceeded 150% of the statewide average over the past three years.

IAC implements and administers the program and must develop procedures to implement the bill. Grants awarded under the program may not cover more than 50% of the costs of a project, must be matched by local funds, and must be approved by the Board of Public Works (BPW). IAC must (1) provide grants to local school systems that meet the bill’s criteria; (2) develop a procedure for local school systems to apply for grants under the program; (3) develop eligibility requirements, including a requirement that local school systems provide matching funds; and (4) develop a process to allocate grant awards under the program.

**Current Law:** For a description of State support for public school construction funding, please see the **Appendix – State Funding for Public School Construction Projects**.

Chapter 647 of 2013 designated State and local funding sources to support a \$1.1 billion public school construction and revitalization initiative for Baltimore City. Chapter 647 requires the State to contribute \$20.0 million annually to the initiative for up to 30 years using general fund revenues from the State Lottery.

**Background:** Based on the September 2013 public school enrollment of 834,524, total State enrollment has increased 1.63% over the previous three years. As shown in **Exhibit 1**, enrollment in the following six local school systems has increased by at least 150% of that amount (2.45%): Anne Arundel, Baltimore, Dorchester, Howard, Montgomery, and St. Mary’s counties. Therefore, these six counties are eligible for grants in fiscal 2015 under the bill (if funds are provided in the capital budget). In each successive fiscal year, the number and names of the eligible counties will change based on enrollment growth figures. For instance, based on current enrollment projections, in fiscal 2018, the eligible counties are Baltimore, Caroline, Dorchester, Queen Anne’s, St. Mary’s, and Talbot.

**Exhibit 1**  
**Three-year Enrollment Changes**

<u>County</u>	<u>9/30/10</u> <u>Enrollment</u>	<u>9/30/13</u> <u>Enrollment</u>	<u>Change</u>
Allegany	8,515.3	8,313.5	-2.37%
<b>Anne Arundel</b>	<b>73,654.8</b>	<b>76,181.0</b>	<b>3.43%</b>
Baltimore City	78,618.0	79,352.0	0.93%
<b>Baltimore</b>	<b>100,329.3</b>	<b>104,357.8</b>	<b>4.02%</b>
Calvert	16,375.0	15,822.8	-3.37%
Caroline	5,173.5	5,235.0	1.19%
Carroll	27,060.8	25,948.5	-4.11%
Cecil	15,347.0	15,100.0	-1.61%
Charles	25,954.5	25,523.8	-1.66%
<b>Dorchester</b>	<b>4,372.0</b>	<b>4,505.0</b>	<b>3.04%</b>
Frederick	39,163.0	39,471.5	0.79%
Garrett	4,084.0	3,785.5	-7.31%
Harford	37,590.0	37,055.0	-1.42%
<b>Howard</b>	<b>49,946.3</b>	<b>51,629.8</b>	<b>3.37%</b>
Kent	2,035.0	1,995.0	-1.97%
<b>Montgomery</b>	<b>140,401.5</b>	<b>147,462.3</b>	<b>5.03%</b>
Prince George's	119,805.8	119,280.8	-0.44%
Queen Anne's	7,489.0	7,471.5	-0.23%
<b>St. Mary's</b>	<b>16,441.8</b>	<b>16,890.3</b>	<b>2.73%</b>
Somerset	2,700.5	2,727.0	0.98%
Talbot	4,257.3	4,298.5	0.97%
Washington	21,642.5	21,939.3	1.37%
Wicomico	13,832.3	13,929.5	0.70%
Worcester	6,316.8	6,249.0	-1.07%
<b>Total (State average)</b>	<b>821,105.5</b>	<b>834,524.0</b>	<b>1.63%</b>
<b>150% of State average</b>			<b>2.45%</b>

Source: Maryland State Department of Education, Department of Legislative Services

**State Fiscal Effect:** Although the bill specifies that \$20.0 million in State funds must be provided in the PSCP CIP, it does not specify the source of those funds. Historically, CIP funding has come almost entirely from GO bond funding, which is allocated through the capital budget. Pay-as-you-go (PAYGO) (general fund) funding has been included only occasionally and usually in comparatively small amounts. The most recent PAYGO funding was in the fiscal 2014 operating budget bill, which included \$25.0 million for security enhancements to schools, compared with more than \$300.0 million in GO bond

funds in the capital budget bill. For this analysis, it is assumed that the new program is funded entirely with GO bond revenues.

Any increase in GO funding for PSCP does not affect overall capital spending, which is established annually through the capital budget process and subject to limits recommended by the Capital Debt Affordability Committee. To the extent that additional GO bonds are allocated to PSCP for the new program, other State capital projects receive less funding and/or are delayed. The bill mandates that the Governor provide an additional \$20.0 million each year beginning in fiscal 2016.

As introduced, the Governor's fiscal 2015 capital budget includes \$275.0 million for PSCP, which represents less funding than in each of the last three fiscal years (\$325.0 million in fiscal 2014, \$326.4 million in fiscal 2013, and \$311.6 million in fiscal 2012). Adding an additional \$20.0 million to that amount, for a total of \$295.0 million, still keeps total funding below recent levels. Funding for supplementary programs, including security enhancements and an air conditioning initiative, has not been renewed in fiscal 2015, while fiscal 2015 funding for the Qualified Zone Academy Bond program is virtually unchanged from fiscal 2014 and substantially below fiscal 2013 levels. Therefore, it is not anticipated that PSCP or any of the other constituent agency members of IAC require additional staffing to implement the new program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 1094 (Senator King, *et al.*) - Budget and Taxation.

**Information Source(s):** Garrett and Montgomery counties, Maryland State Department of Education, Department of General Services, Public School Construction Program, Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2014  
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## Appendix – State Funding for Public School Construction Projects

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Subject to the final approval of the Board of Public Works (BPW), the Interagency Committee on School Construction (IAC) manages State review and approval of local school construction projects. Each year, local systems develop and submit to IAC a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a capital improvement plan to IAC that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county's governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, IAC makes recommendations for which projects to fund to BPW. By December 31 of each year, IAC must recommend to BPW projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school boards may then appeal the IAC recommendations directly to BPW. By March 1 of each year, IAC must recommend to BPW and the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, IAC recommends projects comprising the remaining school construction funds included in the enacted capital budget for BPW approval, no earlier than May 1.

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. The Public School Facilities Act (Chapters 306 and 307 of 2004) requires that the cost-share formula be recalculated every three years. The first recalculation occurred in 2007, and the second recalculation occurred in 2010. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2012, which was determined by the 2007 recalculation, and for fiscal 2013 through 2015, as determined by the 2010 recalculation. The 2013 recalculation is currently in process and will be completed by spring 2014 for implementation beginning in fiscal 2016.

Chapters 306 and 307 also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. As a result, Public School Construction Program (PSCP) funding increased

from \$125.9 million in fiscal 2005 to \$253.8 in fiscal 2006, and has remained above the \$250.0 million target each year since, which resulted in significant increases in school construction assistance to local school boards. As a result, the State achieved the \$2.0 billion goal ahead of schedule. **Exhibit 2** shows annual State public school construction funding from fiscal 2006 through 2014, by county.

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**Exhibit 1**  
**State Share of Eligible School Construction Costs**  
**Fiscal 2012-2015**

<u>County</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Allegany	91%	93%	93%	93%
Anne Arundel	50%	50%	50%	50%
Baltimore City	94%	93%	93%	93%
Baltimore	50%	50%	50%	50%
Calvert	61%	56%	56%	56%
Caroline	86%	81%	78%	78%
Carroll	61%	58%	58%	58%
Cecil	75%	70%	69%	69%
Charles	77%	72%	67%	63%
Dorchester	71%	69%	69%	69%
Frederick	72%	67%	62%	60%
Garrett	59%	54%	50%	50%
Harford	59%	63%	63%	63%
Howard	61%	60%	60%	60%
Kent	50%	50%	50%	50%
Montgomery	50%	50%	50%	50%
Prince George's	73%	68%	63%	62%
Queen Anne's	55%	50%	50%	50%
St. Mary's	75%	70%	65%	64%
Somerset	88%	83%	82%	82%
Talbot	50%	50%	50%	50%
Washington	73%	71%	71%	71%
Wicomico	87%	96%	96%	96%
Worcester	50%	50%	50%	50%

Source: Public School Construction Program

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**Exhibit 2**  
**State Funding for Public School Construction**  
(\$ in Thousands)

<u>County</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Allegany	\$12,000	\$18,650	\$412	\$0	\$0	842	727	1,999	2,496
Anne Arundel	19,457	22,675	27,827	27,420	25,020	26,200	32,400	33,349	34,870
Baltimore City	21,523	39,436	52,665	41,000	27,733	28,559	41,000	46,102	39,478
Baltimore	25,218	35,053	52,250	40,985	28,000	29,000	39,000	47,394	52,068
Calvert	3,437	2,723	12,644	7,824	8,181	8,450	7,317	7,129	5,577
Caroline	4,699	2,935	2,426	8,100	6,000	3,767	235	756	7,788
Carroll	7,434	8,282	8,219	11,741	10,520	8,444	9,079	15,211	4,874
Cecil	8,656	8,271	9,533	2,674	1,538	1,744	2,830	1,915	1,268
Charles	8,267	10,200	13,170	11,704	8,898	8,335	9,180	12,480	9,426
Dorchester	656	872	6,137	10,400	6,469	5,436	3,639	979	1,590
Frederick	11,910	17,942	18,728	14,759	16,226	14,000	16,532	19,254	20,163
Garrett	1,507	1,235	6,243	3,020	666	0	382	319	134
Harford	8,287	11,096	16,238	14,751	16,253	13,835	17,040	16,573	13,214
Howard	15,273	17,808	23,206	18,265	18,262	18,290	26,936	32,811	25,931
Kent	2,000	3,479	1,335	0	388	0	104	123	95
Montgomery	30,431	40,040	52,297	53,312	28,350	30,183	42,000	43,794	38,592
Prince George's	29,833	37,425	52,250	41,000	28,200	29,500	40,348	42,192	39,371
Queen Anne's	6,897	3,000	3,925	4,951	3,947	5,750	5,374	649	4,371
St. Mary's	3,271	5,495	9,806	7,266	4,028	6,600	3,354	3,172	7,472
Somerset	14,300	12,022	5,153	0	6,000	6,000	3,371	289	3,811
Talbot	2,422	2,405	2,038	0	436	344	135	35	634
Washington	6,431	4,478	8,970	9,368	7,965	7,970	8,571	9,117	8,494
Wicomico	7,616	4,178	8,143	12,960	13,170	9,975	1,864	11,290	13,327
Worcester	2,241	6,872	8,213	5,483	403	0	165	166	4,882
MD School for the Blind								2,800	6,063
Bond Premium		6,100							
Statewide						500		100	1,288
<b>Total</b>	<b>\$253,766</b>	<b>\$322,672</b>	<b>\$401,828</b>	<b>\$346,983</b>	<b>\$266,653</b>	<b>\$263,724</b>	<b>\$311,583</b>	<b>\$349,997</b>	<b>\$347,277</b>
<b>Over \$250M</b>	<b>\$3,766</b>	<b>\$72,672</b>	<b>\$151,828</b>	<b>\$96,983</b>	<b>\$16,653</b>	<b>\$13,724</b>	<b>\$61,583</b>	<b>\$99,997</b>	<b>\$97,277</b>