

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 692
 Appropriations

(Delegate Haynes, *et al.*)

Education - School Emergency Air-Conditioning Fund - Established

This emergency bill establishes the School Emergency Air-Conditioning Fund to provide grants to public primary and secondary schools to install air-conditioning (AC). The Governor must appropriate at least \$7.5 million to the fund from fiscal 2019 through 2022. Money expended from the fund is supplemental to and is not intended to replace funding that would otherwise be appropriated to public schools. The Interagency Committee on School Construction (IAC) must allocate the funds according to priorities established in the bill.

Fiscal Summary

State Effect: No effect in FY 2017 or 2018. General fund expenditures increase by \$7.5 million from FY 2019 through 2022 to capitalize the new fund. Special fund revenues and expenditures for the Public School Construction Program (PSCP) increase commensurately to provide grants to local school systems. General fund expenditures by PSCP increase by \$79,900 in FY 2019 to administer the program; out-year expenditures reflect salary increases and ongoing operating costs. Although the fund does not terminate, an appropriation is not required beyond FY 2022. **This bill establishes a mandated appropriation for FY 2019 through 2022.**

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$0	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
GF Expenditure	\$0	\$7,579,900	\$7,578,700	\$7,582,300	\$7,586,200
SF Expenditure	\$0	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Net Effect	\$0	(\$7,579,900)	(\$7,578,700)	(\$7,582,300)	(\$7,586,200)

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

Local Effect: Local school systems are eligible for grants totaling \$7.5 million beginning in FY 2019 to install AC in their schools. Therefore, local revenues and expenditures each increase by \$7.5 million for FY 2019 through 2022.

Small Business Effect: Potential meaningful for small businesses that install commercial AC systems.

Analysis

Bill Summary: The fund is a special nonlapsing fund that consists of money appropriated to the fund, interest earnings, and any other money accepted for the benefit of the fund.

IAC must establish procedures for school systems to request funds. Priorities for expenditures from the fund are (in descending order of priority):

- installation of AC in school buildings that, as of July 1, 2016, did not have any source of AC, including window units;
- installation of central AC systems in schools that, as of July 1, 2016, did not have central AC but did have other AC including window units; and
- replacement of AC units, including window units, that have reached the end of their expected life cycle.

Current Law/Background: The fiscal 2014 capital budget, as enacted, included \$25.0 million in general obligation debt funding for an Air Conditioning Initiative (ACI). The intent of ACI was to provide State funding grants for air-conditioning in schools that lacked it. It was not intended to provide State funding to upgrade or replace existing AC systems. IAC received funding requests from six local school systems and the Maryland School for the Blind totaling \$20.6 million for 19 projects as well as one request for the balance of funding for a project previously approved by the Board of Public Works (BPW). BPW approved allocations totaling \$18.1 million for 19 AC projects for the fiscal 2014 *Capital Improvement Program* (CIP). The following year, BPW approved funding for seven projects totaling \$6.5 million in the fiscal 2015 CIP, accounting for the bulk of the remaining funding provided for ACI.

A survey conducted in January 2016 by the Maryland State Department of Education found that all but four school systems had AC (including window units) in at least 95% of their schools (the figures for Baltimore City did not include schools with window units). The four exceptions were Baltimore City (59%) and Baltimore (72%), Garrett (31%), and Wicomico (88%) counties. The survey did not include schools where ACI work was underway, so the number is likely lower now as those projects have been completed.

Combined, Baltimore City and Baltimore County had 114 schools without AC, while Garrett and Wicomico had just 12 combined.

In May 2016, BPW withheld \$5.0 million and \$10.0 million, from the fiscal 2017 school construction capital allocations for Baltimore City and Baltimore County, respectively, due to the number of schools without AC in those systems.

In July 2016, BPW adopted a regulation that makes window or other portable AC units eligible for State school construction funding. The funding eligibility begins in fiscal 2018, as the fiscal 2017 capital budget bill specified that regulations in effect on January 1, 2016, apply to eligible costs for fiscal 2017 school construction projects. Under those regulations, only AC systems with a useful life of at least 15 years, the term of State general obligation (GO) debt, are eligible to receive State funding.

The Governor's proposed fiscal 2018 capital budget includes \$280.0 million in GO bonds for public school construction funding and \$40.0 million in GO bonds for counties with significant enrollment growth or relocatable classrooms.

Baltimore County is in the midst of an initiative to install AC in all of its schools, which was accelerated after the BPW action. It expects to have central AC installed in most elementary and middle schools by the beginning of the 2017-2018 school year except those that are scheduled to be replaced or renovated. The remaining schools are scheduled to be completed by the beginning of the 2021-22 school year. The 21st Century Schools initiative in Baltimore City will also dramatically reduce the number of schools without AC, through a combination of 23 to 28 renovated and new school buildings and the closure of 26 school buildings. In addition, Baltimore City was approved to use \$3.8 million of contingency funds (prior authorized but unexpended) to install portable AC window units or ductless split systems in seven schools in fiscal 2018.

In January 2017, BPW released \$5.0 million in withheld fiscal 2017 school construction funds for Baltimore City and Baltimore County; \$5.0 million remains withheld from Baltimore County.

State Fiscal Effect: The bill requires the Governor to appropriate *at least* \$7.5 million to the fund for four years. As the fund does not terminate, any additional funding is discretionary. This analysis assumes the minimum level of funding required is provided beginning in fiscal 2019 and that no funding is provided after fiscal 2022. Although the bill is an emergency bill, the bill specifies that the mandated appropriation takes effect in fiscal 2019.

The authorized uses of the new fund do not encompass administrative costs. PSCP, which will administer the program on behalf of IAC, lacks sufficient staff to manage a new grant

program of this size. Therefore, general fund expenditures by PSCP increase by \$79,903 in fiscal 2019, which assumes the program begins operation on July 1, 2018. This estimate reflects the cost of hiring one program administrator to develop application and award procedures and to monitor program implementation. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Although the program is not permanently required to be funded, as noted above, an appropriation is required for at least four years, so it is assumed that the administrator is a regular rather than a contractual position.

Position	1
Salary and Fringe Benefits	\$74,638
Operating Expenses	<u>5,265</u>
Total FY 2018 State Expenditures	\$79,903

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: SB 334 (Senator Ferguson, *et al.*) - Budget and Taxation.

Information Source(s): Maryland State Department of Education; Public School Construction Program; Baltimore County; Department of Budget and Management; Department of Legislative Services

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